

More Troops Patrol Paris As Bomb Threats Rise

Government Also Warns All Citizens
Still Left in Algeria to Return Home

By Craig R. Whitney
New York Times Service

PARIS — The French government sent hundreds more soldiers into the streets of Paris on Wednesday and warned all French citizens still in Algeria to leave for their own safety after Islamic terrorists reportedly threatened further bombings here unless Paris halted all aid to Algeria.

A homemade bomb in an underground commuter train wounded 29 people, five of them gravely, on Tuesday, and French authorities said it was the eighth in a series of terrorist acts carried out by the Armed Islamic Group, which is fighting to overthrow Algeria's military government in a struggle that has taken from 30,000 to 40,000 lives.

More bomb threats delayed train and subway service in the capital on Wednesday, and an Arabic-language daily published in London, Al Sharq al Awsat, reported that the Armed Islamic Group was threatening more violence unless France met four demands.

These were to close its embassy in Algiers, cut off \$1.2 million a year in aid to

Algeria, denounce the November presidential elections there as a sham and cancel President Jacques Chirac's plans to see his Algerian counterpart at the United Nations in New York this weekend, the newspaper said. Earlier, the group had suggested that Mr. Chirac convert to Islam.

French officials declined to comment on the latest demands, but the Foreign Ministry renewed calls to all French citizens still in Algeria to leave unless their presence was absolutely necessary and warned French journalists not to try to cover the Nov. 16 elections.

The vote is being boycotted by the Islamic Salvation Front, an umbrella organization whose impending victory in parliamentary elections in 1992 was prevented when the military called off the vote. The Armed Islamic Group has demanded that all foreigners leave the country and has singled out foreigners living in Algeria for assassination.

French authorities estimate that there are about 1,500 French nationals in Algeria, including several hundred oil and gas pipeline employees who work under Algerian government military protection, plus 10,000 Algerians with French passports.

Mr. Chirac's plan to talk with Algeria's president, Liamine Zeroual, the likely winner in the November elections, has emerged as a bone of contention. Mr. Chirac has made going ahead with the meeting a symbol of French defiance of terrorist intimidation.

The opposition Socialist leader, Lionel Jospin, said talks with Mr. Zeroual were "not opportune" now, and another Socialist politician questioned publicly why Mr. Chirac had chosen to "bail out" the Algerian leader by seeing him.

In response, the French government spokesman, François Baroin, said: "Jacques Chirac does not want to bail out anybody, or to interfere in any country, but to consider that the solution is political and should be the fruit of dialogue among all the forces that reject violence."

Algerian elections, in Mr. Chirac's view, should be "as democratic as possible." Mr. Baroin said, and legislative elections should follow the presidential vote.

French officials have long feared an extension of the Algerian civil war to their own shores, where about 5 million Muslims

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ALMOST PERFECT — Saddam Hussein acknowledging supporters Wednesday in Baghdad in his first appearance since receiving 99.96 support in a referendum. For all his power, he hasn't overcome the effect of sanctions. Page 7.

Germany Is Losing the Cold War in Court

By Stephen Kinzer
New York Times Service

BERLIN — In a decision that underscored the difficulties prosecutors face in winning convictions of former East German leaders, the country's top appeals court threw out a guilty verdict on Wednesday against the former chief of East Germany's foreign intelligence service, Marcus Wolf, and ordered a new trial.

Mr. Wolf, a legendary figure who was East Germany's spy master for more than 30 years, was convicted in 1993 of treason and sentenced to six years in jail. But the Federal Criminal Court ruled Wednesday that he could not be jailed for directing operations that were permissible under East German law.

Mr. Wolf's case is one of several that are going poorly for prosecutors, leading many Germans to conclude that their legal

system is incapable of redressing injustices committed in East Germany.

"The law is simply not written for crimes like these," said Uta Fölscher, a spokeswoman for Berlin prosecutors. "Laws are designed to punish individuals, not regimes or governments. But especially in light of the fact that so little was done in this country to prosecute criminals from the Nazi period, we feel obligated to make at least an effort."

But some people question whether the cases were a good idea in the first place. "These trials reek of politics, of the desire of a winner to punish a loser," said Uwe Wesel, a law professor at Free University in Berlin. "What the defendants did may have been repugnant, but almost all of it was legal under East German law."

Perhaps the best-known East German figure now on trial is Alexander Schalck-Golodkowski, who was the Communist regime's best-connected financier and currency trader. On Wednesday, the Berlin

newspaper Der Tagesspiegel reported that Mr. Schalck-Golodkowski was in China with a delegation of German business leaders looking for investment opportunities. A judge was said to have given him permission to make the trip despite the fact that he is on trial in Berlin on charges of arms smuggling.

The case against Mr. Schalck-Golodkowski, a many-tentacled trader who used his wide network of Western contacts to convert East German assets into hard currency, charges him with the relatively petty crime of importing 246 night-vision lenses and 169 hunting rifles and flintlock pistols into East Germany.

"As is generally known, I was for years in close contact with senior West German politicians, including many who are still in office," Mr. Schalck-Golodkowski said dryly at the opening of his trial last month. "None of them ever mentioned that they

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Only Diligence Stops Bombers, Expert Warns

By Barry James
International Herald Tribune

PARIS — Despite a massive deployment of police and troops, the only effective weapons against bombings on public transit systems are good intelligence about dissident groups and vigilance by passengers, an anti-terrorism specialist said Wednesday.

Drawing on the experience of recent attacks in London and Tokyo as well as Paris, the specialist, Richard Clutterbuck, said from Exeter, England, that any mass transit system was "absolutely vulnerable" to terrorist acts.

Mr. Clutterbuck, an author and former general and intelligence expert in the British Army, studied security measures in the Channel Tunnel, which had been feared to become a target for Irish Republican Army terrorists.

But he said the tunnel was much safer than the underground and suburban rail systems that tens of millions of people use every day.

"I cannot think of any way in which an underground urban system could work with a degree of search similar to that which you need before joining an aircraft," he said. He agreed with the president of the French railroad, Jean Bergougnoux, who appealed to passengers after the bombing in Paris on Tuesday to be more vigilant about unattended bags or suspicious behavior by other passengers. Mr. Bergougnoux said it would be impossible to check the bags of all passengers every day.

The wave of terrorist bombings in France, thought to be the work of Algerian Islamic fundamentalists, has killed seven people and wounded about 160 in less than three months.

The presence of troops and police has more value in reassuring the public than in stopping terrorists, Mr. Clutterbuck said. He added that the only effective way to prevent bombings was to get good intelligence from informants.

"My signature tune these days is what is called 'intelligence-led policing,'" he said. "You get background intelligence by such things as surveillance cameras, the normal business of police keeping their eyes open and information from the public."

"From that background intelligence," he continued, "you are then able to interpret specific intelligence when the opportunity comes."

Specific intelligence most often comes from informants, Mr. Clutterbuck said, 99

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A Mass Exodus Reshapes Sarajevo

Prominent Writer Joins Thousands Leaving City

By John Pomfret
Washington Post Service

SARAJEVO, Bosnia-Herzegovina — On Friday morning, suffering from a mammoth hangover after days of boozing farrells, Semezdin Mehmedinovic, disheveled and a bit grim, showed his papers in front of a gantlet of Bosnian policemen, customs officers, state security troops, French guards, a Russian UN police officer, his Jordanian colleague and Norwegian soldiers from an organization called Movement Control.

After explaining to another United Nations official with a New York accent that no, he did not have a flask jacket or a helmet with which to board the plane — but that was O.K. because he was a local boy, and what's another dead local boy anyway? — Mr. Mehmedinovic was given passage into a dimly lit waiting room.

An hour or two later, he trudged onto the tarmac of the Sarajevo airport and into a Russian-made Ilyushin jet. Minutes later, the UN airplane flew him out of his hometown. His final destination? The United States. His professional goal? "Maybe I'll be a waiter," he said.

The departure of Semezdin Mehmedinovic, writer and poet, coffee fiend and urban cowboy, was a sad day for Sarajevo. If anyone had encapsulated the struggle to save the soul of this cultural crossroads, he was it. His book of short stories, "Sarajevo Blues," is widely considered here to be the best piece of writing to emerge from this besieged capital since Bosnia's war erupted in April 1992.

Written as a series of vignettes, it casts the war, existential eye of a 20th-century man on the Serbs' medieval-style siege. Absent is any of the pious self-righteousness that has infected much of the literary work of the intellectuals here.

Mr. Mehmedinovic is one of about 25,000 Sarajevans who have left the besieged part of this city in the last three months in the biggest exodus since the war began, according to high court statistics published this week in Sarajevo's leading magazine, War Days.

His departure is part of a huge shift in the ethnic and cultural mosaic of this city that has recently accelerated as more and more intellectuals and skilled people like Mr. Mehmedinovic have come to the conclusion that their

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GI Says UN Blue Is Not His Color

By Bradley Graham
Washington Post Service

WASHINGTON — The U.S. Army has charged a 22-year-old medic with disobeying orders for declining to wear a United Nations patch and blue cap as his battalion was preparing for duty in the Balkans.

The case of Specialist Michael G. New has become a political lightning rod for congressional Republicans opposed to U.S. forces serving in UN peacekeeping efforts, and came as American troops are increasingly directed to participate in UN operations abroad.

But the army, framing the issue as a matter of discipline, not politics, has shown no willingness to accommodate Specialist New's concerns, denying his request for reassignment to a unit not involved in UN peacekeeping.

Yeltsin Writes Off NATO Force

Reuters

MOSCOW — President Boris N. Yeltsin said Wednesday that Russian troops would not serve in a multinational force in Bosnia-Herzegovina under NATO command.

In an interview with a French television station, the Russian president was asked whether Russian troops would take part in a peacekeeping force. He said: "Under the aegis of NATO, no."

He defended his country's role in the peace process so far, saying Russia had contributed more than the United States, Britain, France and Germany, the four other members of the Contact Group that has been trying to mediate a settlement in the Balkan war.



The U.S. ambassador, John Menzies, left, greeting Richard C. Holbrooke in Sarajevo. Bosnia and Yugoslavia agreed to open liaison offices. (Page 8)

China Poised To Throw Out Hong Kong Rights Bill

Move Is 'Shocking Blow'
To the Colony's Hopes
For Autonomy After '97

By Kevin Murphy
International Herald Tribune

HONG KONG — A potentially damaging disagreement between China and Britain over civil liberties in Hong Kong flared Wednesday after an advisory body close to the Chinese government recommended that key human-rights laws in the territory be scrapped or amended after 1997.

The proposals by the pro-Beijing Preliminary Working Committee to limit Hong Kong's 1991 Bill of Rights have stepped up fears that civil liberties will become vulnerable in local courts when the colony reverts to Chinese rule in 1997.

A statement from Hong Kong's Democratic Party said, "We believe these proposals are a shocking blow to freedom after 1997 and represent a real threat to Hong Kong people ruling themselves with the promised high degree of autonomy."

"No legislature elected by and accountable to Hong Kong people would ever pass these draconian proposals by the PWC into law," said the party, which is led by Martin Lee, a local legislator and lawyer.

The new dispute arises as the United Nations prepares to examine Hong Kong's human-rights record in hearings in Geneva beginning Thursday.

At the same time, renewed signs of deep division between the two sides over human-rights safeguards and Hong Kong's legal system could disrupt the relative calm lately in British-China relations, local officials said.

"It's not a surprise," said a senior Hong Kong government official. "But given the timing, it is a shock. It is very serious."

The dispute had been relatively quiet in recent years but now promises to be a major factor in talks between London and Beijing.

Hong Kong's attorney general, Jeremy Mathews, described recommendations made by the Preliminary Working Committee to change provisions in the Bill of Rights as "a retrograde step." The committee is made up of pro-China Hong Kong community leaders and senior Beijing officials.

British diplomats who negotiate with China in the Joint Liaison Group talks strongly urged Beijing to reconsider any change in the Bill of Rights, a package of laws drafted in line with the International Covenant on Civil and Political Rights, a United Nations instrument adopted in 1966. China has not signed the covenant.

"I think those who are recommending the changes to these laws would do us all a great service by explaining how they think those laws would comply with the international covenant," Mr. Mathews said Wednesday.

The Preliminary Working Committee, set up to advise Beijing, said it had found several elements of the Bill of Rights "inconsistent" with the Basic Law, China's miniconstitution for Hong Kong.

The group urged Beijing to delete articles of the Bill of Rights, in effect a package of laws designed to enshrine the Covenant on Civil and Political Rights in local statutes.

Local ordinances pertaining to such areas as broadcasting, public order, telecommunications and emergency regulations should be replaced by versions that existed before their amendment to conform with the Bill of Rights, according to the Working Committee.

The committee accused Britain of ignoring repeated Chinese calls not to enact the Bill of Rights in the early 1990s.

A member of the Working Committee's legal branch, Lo Tak-shing, was quoted by local newspapers as saying, "The Hong Kong public has been misled by the government for many years that if there is no Bill of Rights, there will be no human rights in the territory."

The Working Committee's recommendations are not binding, nor has Beijing formally accepted them. But a high-profile, Beijing-sanctioned release of the committee's report led many legal analysts and

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AGENDA

González Facing a Spanish Senate Inquiry

MADRID (Reuters) — The Spanish Senate decided Wednesday to investigate allegations that Prime Minister Felipe González's government oversaw a 1980s war by security force death squads against Basque rebels. The inquiry was approved on a 128-to-127 vote. Mr. González has denied persistent accusations that he knew about the activities of the shadowy Anti-Terrorist Liberation Groups against the separatist guerrilla organization ETA, or Basque Homeland and Freedom. The move increases pressure on Mr. González, adding to court efforts to determine whether he knew of the campaign that claimed 27 lives from 1983 to 1987. Opposition parties on the left and right united against Mr. González's governing Socialists to support the inquiry.

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Evolution of Discontent / A Fatherly Smile and a Firm Hand

Indonesia Wonders: Who Comes After Suharto?

By Robert Kroon

Special to the International Herald Tribune

JAKARTA — Since Indonesia proclaimed its independence from the Netherlands 50 years ago, the world's fourth most populous nation has known only two leaders, Sukarno and the current president, Suharto.

Their backgrounds, personalities and records could hardly be more different.

A civil engineer-turned-agitator, Mr. Suharto started the independence war against the Dutch and became president in 1949.

His political adventurism ruined the economy and finally triggered a Communist-inspired coup attempt in 1965. Mr. Suharto, then an unknown army general, thwarted the putsch, deposed Mr. Sukarno and took power in 1967.

Almost 28 years and five elections later, he is still in office and, at the age of 74, has hinted that he wants to lead his nation into the next century.

But last month, as Indonesia commemorated its 50th independence anniversary with a nationwide fiesta and self-congratulatory speeches, one nagging question was on everybody's mind: the president's age and his unresolved succession.

Except for occasional kidney-stone problems, the president seems in reasonable health, but the post-Suharto era remains a consuming puzzle that dominates the Jakarta rumor mill and worries many foreign investors.

Though the president has reached an age when many people have already retired, the question of who will succeed him remains in doubt.

Mr. Suharto has outlasted all other world leaders except Fidel Castro of Cuba, and considering the size and importance of the Indonesian Republic, he ranks as one of the world's most powerful leaders.

Mr. Suharto has warned he will "cllobber anyone who tries to unseat me unconstitutionally."

If there should be a vacancy in the office of the president, Vice President Try Sutrisno, a former army chief of staff, will automatically take over.

Whether the amiable Mr. Try, who remains in Mr. Suharto's shadow, has enough presidential timber to run for office in his own right is still unclear.

When asked in a rare interview whether he planned to run for a sixth term, the silver-haired president smiled and said, "As a democrat who believes in the wisdom of our constitutional system, everything regarding the presidential seat will be decided by the Indonesian people in a constitutional way."

Any future changes in the direction of Indonesian society will need the support of the military, and that includes the issue of Mr. Suharto's succession.

Most observers and foreign diplomats in Jakarta agree that Indonesia's armed forces remain its main power base.

The armed forces will continue backing Mr. Suharto, analysts said, as long as the military gets its share of the perks, including business contracts and ambassadorships for retired generals.

Outside the military, though, there is considerable discontent with Mr. Suharto's reign.

A growing middle class, already accounting for 15 percent of the urban population, has joined intellectuals and students in a rising clamor for change.

High on the list of irritants is the fact that a cluster of influential conglomerates is run by Suharto's six children and unrelated tycoons — predominantly of Chinese origin. Some of



President Suharto, left, is only the second president Indonesia has had in 50 years.

the businessmen own private islands off the Jakarta coast and think nothing of inviting 1,000 friends and relatives to million-dollar parties.

This ostentation draws growing criticism, even in the controlled press.

Ruslan Abdulgani, a respected former freedom fighter and foreign minister, said that the ideals of the freedom struggle were "being manipulated by some for their own interests."

"We have given the people freedom," he added. "We must also give them prosperity."

There is no question that Mr. Suharto has had a profound impact on Indonesia.

When he took power from Mr. Sukarno in the mid-1960s, the rich prewar Netherlands Indies had become a shambles, with four-digit inflation and a worthless currency. Today, while still trailing Malaysia and other regional economic "tigers," Indonesia has emerged as a fast-growing cub.

Through the years, Mr. Suharto has forged his presidency into a pillar of personal power, ruling his 200 million subjects with a fatherly smile and a firm hand.

"He takes all the major decisions and most of the minor ones, without being held accountable," said an American diplomat in Jakarta. The Parliament is dominated by the

Golkar "functional group," controlled by the government and the military.

Of the 500 parliamentarians, 75 are military appointees.

No ambassador is nominated, no ministerial trip abroad planned, no roads, bridges or harbors costing more than \$5 million built, no foreign investment accepted without Mr. Suharto's nod.

Free labor unions or public dissent are banned under the terms of the "Anti-Subversion" (hate-sowing) edict, conveniently borrowed from the prewar Netherlands-Indies law code. The press remains largely controlled.

Unlike the flamboyant Mr. Sukarno, who worked the crowds, Mr. Suharto works behind the scenes. He keeps his rivals off balance, his critics at bay and everybody else guessing about his plans, especially the succession. A poor speaker and a somewhat mystical introvert who occasionally consults astrologers, Mr. Suharto shuns crowds and parties.

Born into a poor central-Javanese farmer family, the president prefers the atmosphere of his old officer's villa to the splendor of the Istana Merdeka, the colonial palace, which Mr. Sukarno took over as soon as the last

Dutch governor-general had left.

Although he retired from the army many years ago, Mr. Suharto's style of command clearly reflects his military background. After the upheaval of 1965, the armed forces were given a *dwi-fungsi*, or dual function, in the Indonesian state structure. They were to defend the country from outside threats, and at the same time, they were to safeguard internal stability.

Down to the remotest corners of an archipelago that sprawls over one-seventh of the earth's circumference, local military commanders oversee civil administrators. Any sign of political unrest is promptly reported to the army leadership and the president in Jakarta.

This hybrid system draws its legitimacy from *Pancasila*, the misty state philosophy that is drummed like a mantra into every Indonesian from childhood. Pancasila's five articles of faith proclaim the unity of the 13,650-island republic, freedom of religion, "deliberative" democracy, social justice and humanitarianism.

"Indonesia is home to the world's largest Muslim population, but we are definitely not an Islamic state," Mr. Suharto said in the interview. "People of different faiths have always lived here in harmony. The rise of extremism in some countries has taught us valuable lessons. We reject all forms of extremism, from the right or from the left."

Mr. Suharto has an unshakable commitment to national stability.

"With our 300 ethnic groups, multiparty democracy could lead to a Yugoslav-type blow-up," said a senior Indonesian diplomat. "A Western-style parliamentary system is a luxury we cannot yet afford."

Last month, Mr. Suharto ticked off his achievements before a special "Golden Jubilee" session of Indonesia's rubberstamp Parliament.

Under his 28-year leadership, he noted, Indonesia, once the world's biggest rice importer, had become self-sufficient in the national staple, per-capita income increased from \$55 to \$900 a year, and the economy had grown at a 7 percent annual rate.

Indonesians' life expectancy had risen from 46 to 63 years, and "the average Indonesian is now 2.3 centimeters taller and a pound heavier than 25 years ago," Mr. Suharto said with paternalistic pride.

Even his critics concede that Indonesia has come a long way under Mr. Suharto's one-man rule.

Political stability kept Mr. Suharto's five-year development plans on track and on schedule.

Spurred by deregulation, foreign investment approvals last year reached \$23 billion, compared with \$8.4 billion in 1993. The economy is likely to forge ahead by 7 percent more this year.

In Jakarta, new skyscrapers and hotels rise at a breathtaking pace, adding to the congestion and traffic jams in this city of 10 million.

Official statistics say that only 15 percent of the population now lives below the poverty line, compared with 60 percent in 1979.

But the glaring inequity of wealth distribution could be a political time bomb, as it has been in much of the world.

Millions of Jakarta's poor languish in squalid city *kampungs*, or villages, in the shadow of the capital's multitude of skyscrapers.

COMING UP

Scottish nationalism, a phenomenon that tapered off in the 1980s, may be making a comeback.

The Choice Is Dayton For Bosnia Peace Talks

Washington Post Service
WASHINGTON — Camp David, it isn't.

After an exhaustive search for a site for the Bosnia peace talks, where bitter enemies can be persuaded to put aside ancient animosities in secure and congenial surroundings, the Clinton administration has finally made its choice: Wright-Patterson Air Force Base in Dayton, Ohio.

There are lots of fences to keep out prying journalists. The presidents of Serbia, Croatia, and Bosnia-Herzegovina will each be accommodated in identical generals' quarters. Dayton is only an hour's flying time from Washington, so it will be easy for Secretary of State Warren M. Christopher and other senior officials to shuttle back and forth.

When they invited the lead-

ers of the former Yugoslavia and a host of international mediators to "Camp David-style talks" in the United States, beginning on Oct. 31, administration officials were determined to find a site where everybody could concentrate on the business at hand: making peace. It had to be easily accessible, but sufficiently remote to discourage Balkan warlords from running off to television studios in New York and Washington every time the negotiations hit a snag.

Officials said that Wright-Patterson had beaten out such sites as the navy base at Newport, Rhode Island, and Langley Air Force Base in Norfolk, Virginia.

"We needed a place where we can sequester the participants until we get a final result," one official said.

Senate Puzzled By Balkan Plan U.S. Mission Is Examined

By Elaine Sciolino

New York Times Service

WASHINGTON — In two days of congressional testimony by three Clinton administration officials, Republicans and Democrats alike exposed contradictions and gaps in the NATO plan that is supposed to send up to 25,000 American troops to help enforce a peace settlement in Bosnia-Herzegovina.

The most serious inconsistency in the administration's strategy, several lawmakers said at hearings in the Senate on Tuesday and Wednesday, is its commitment to participate in a neutral NATO peacekeeping force while at the same time it guarantees an "equilibrium of forces," as Secretary of Defense William J. Perry put it, between the Bosnian government and its Croatian allies on one side and the Serbs on the other.

To achieve that goal, the United States will devise its own plan — separate from the peace mission with other NATO forces — to relieve the Serbs of many of their heavy weapons and to arm and train the Bosnian government's military forces.

Senator Richard Lugar, the Republican of Indiana who is seeking his party's presidential nomination, said: "The delicacy of how you wade into peacekeeping while at the same time disarming one set of forces and beefing up another without becoming an adversary is very difficult to contemplate."

The administration officials admitted that, at this point, there was no plan to accomplish that second goal. "We've not done a survey," Secretary of State Warren M. Christopher said. "We don't know what the present equilibrium is."

Mr. Perry acknowledged that it has yet to be decided whether the training and arming of the Bosnians and Croats would be done by American and perhaps other troops or by private civilian contractors.

And the third administration official, General John M. Shalikashvili, the chairman of the Joint Chiefs of Staff, pledged to

limit the arming and training of the Bosnian side to the minimum necessary without setting off an arms race, although he did not say how the United States would prevent third countries from funneling weapons to either side after the war was over and the arms embargo was lifted.

Another potential difficulty is the legal authorization of the NATO force.

The administration says that the force must be authorized by the North Atlantic Treaty Organization's political arm, but need not be approved by the United Nations Security Council. "We would not seek it," Mr. Perry said, although he added that the participation of non-NATO nations "might require a UN resolution."

That raises the question of where the Russians fit in, and the hearings underscored the failure of the United States and its NATO allies to find a formula for complete Russian participation in enforcing peace in Bosnia.

Russia has said it would send in a division of troops to help enforce peace, but President Boris N. Yeltsin declared Wednesday that he would not allow them to be put under NATO command.

The three administration officials testified Tuesday and again Wednesday that Russian troops must either report directly to NATO or play a non-combat role, by building roads, for instance, or clearing mines.

The divide is so great, Mr. Perry acknowledged Tuesday, that "it's questionable the Russian forces will participate."

But Moscow already has peacekeeping troops in Bosnia that would not be required to leave unless there were a Security Council resolution ordering them to do so.

All three officials said that the mission would last for a year. "There's a great value, a great management value to putting a definite time scale on it and sticking to that timetable," Mr. Perry said. But General Shalikashvili admitted that no timetable was ironclad. "In operations like this, nothing is guaranteed," he said.

Italian AIDS Sufferers Lose Exemption From Jail

By Daniel Williams

Washington Post Service

ROME — Italy's highest court overturned a law on Wednesday that automatically let criminals with AIDS out of jail, a law that some convicted had taken advantage of to commit robberies without fear of punishment.

The ruling by the Constitutional Court in Rome followed public outcry over a summer-time spate of robberies by so-called AIDS gangs, particularly in the industrial city of Turin.

The court ruled that, in practice, the law had "granted a sort of impunity to the ill that did not respect the defense of the health of the entire community."

The judges softened the ruling a bit by saying that courts must check on the conditions of

ill inmates from "time to time" to make sure that the infected were being cared for and that other prisoners were not in danger of contagion.

A 1993 law forbade the jailing of anyone in the last stages of a fatal illness, a category that covered AIDS patients.

AIDS patients were also exempt from laws that permit detention without trial, but after the court ruling they can be jailed under so-called preventive detention when suspected of grave crimes.

The most notorious of the AIDS gangs, dubbed the "Untouchables" by newspapers, carried out three bank robberies in Turin in August. They netted \$150,000 and held news conferences to plead for jobs and treatment. Most of the money is still missing.

5 French Rail Unions

Call for One-Day Strike

PARIS (Reuters) — Five trade unions that represent French rail workers called a one-day national strike for October 25 to protest the "carving up" of the SNCF state rail company and to demand salary negotiations.

The unions said in a joint statement that they were calling on employees "of all grades and jobs to act in a united front against the carving up of the SNCF and for the defense of jobs, status, an increase in pay and pensions."

A one-day strike by France's 5 million public sector employees brought railroad, buses, underground trains, schools, post offices and a other services to a near standstill a week ago.

That stoppage, the biggest in almost a decade, was called to protest the conservative government's refusal to raise civil service pay next year beyond its contractual minimum.

Cholera has killed 10 people in Dakar, Senegal, where 120 cases have been recorded since last month, a medical official there said Wednesday.

French Pilots 'Kidnapped'

Agence France-Presse

BANJA LUKA, Bosnia-Herzegovina — The Bosnian Serb rebel leader, Radovan Karadzic, announced here Wednesday that two French pilots shot down during a NATO bombing mission had been kidnapped from a hospital.

He said the pilots were taken "either by a group seeking a ransom, or by Bosnian Muslims."

Mr. Karadzic said he had ordered a "rigorous" inquiry into the incident. Foreign Minister Hervé de Charette of France said he would seek further information.

The airman's jet was shot down over Serbian-held territory on Aug. 30, during the first day of NATO's bombing campaign to force the rebel Serbs to withdraw their heavy guns from around the capital, Sarajevo.

Dubai will raffle more than 50 kilograms (110 pounds) of gold and offer 43 luxury Lexus cars in prizes to promote the Gulf Arab emirate as a shopping and tourist paradise.

Hikers in Canada who get hurt or lost while wandering through the country's national parks will soon have to pay the rangers who rescue them. The parks service will demand reimbursement for emergency rescues and medical treatment in wilderness areas.

TRAVEL UPDATE

5 French Rail Unions

Call for One-Day Strike

PARIS (Reuters) — Five trade unions that represent French rail workers called a one-day national strike for October 25 to protest the "carving up" of the SNCF state rail company and to demand salary negotiations.

The unions said in a joint statement that they were calling on employees "of all grades and jobs to act in a united front against the carving up of the SNCF and for the defense of jobs, status, an increase in pay and pensions."

A one-day strike by France's 5 million public sector employees brought railroad, buses, underground trains, schools, post offices and a other services to a near standstill a week ago.

That stoppage, the biggest in almost a decade, was called to protest the conservative government's refusal to raise civil service pay next year beyond its contractual minimum.

Cholera has killed 10 people in Dakar, Senegal, where 120 cases have been recorded since last month, a medical official there said Wednesday.

French Pilots 'Kidnapped'

Agence France-Presse

BANJA LUKA, Bosnia-Herzegovina — The Bosnian Serb rebel leader, Radovan Karadzic, announced here Wednesday that two French pilots shot down during a NATO bombing mission had been kidnapped from a hospital.

He said the pilots were taken "either by a group seeking a ransom, or by Bosnian Muslims."

Mr. Karadzic said he had ordered a "rigorous" inquiry into the incident. Foreign Minister Hervé de Charette of France said he would seek further information.

The airman's jet was shot down over Serbian-held territory on Aug. 30, during the first day of NATO's bombing campaign to force the rebel Serbs to withdraw their heavy guns from around the capital, Sarajevo.

Dubai will raffle more than 50 kilograms (110 pounds) of gold and offer 43 luxury Lexus cars in prizes to promote the Gulf Arab emirate as a shopping and tourist paradise.

Hikers in Canada who get hurt or lost while wandering through the country's national parks will soon have to pay the rangers who rescue them. The parks service will demand reimbursement for emergency rescues and medical treatment in wilderness areas.

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ASIA

Fear of China: East Asians Urge U.S.-Japan Closeness

By Michael Richardson
International Herald Tribune

SINGAPORE — Worried by friction between the United States and Japan over security and trade issues, East Asian countries are openly warning that stability and rapid economic growth in the region can be maintained only if Washington and Tokyo remain close allies to balance China's emerging might.

NEWS ANALYSIS

After a bruising dispute in the summer over American access to the Japanese automobile market, the U.S.-Japan alliance has been shaken again by the indictment of three U.S. servicemen on charges of abducting and raping a 12-year-old girl on Okinawa.

Japan meets in Tokyo with President Bill Clinton. The meeting is expected to focus on ways of strengthening the security partnership between the two countries.

Asian officials said a report this week that the U.S. Central Intelligence Agency had eavesdropped on private talks between Japanese officials and car company executives during the U.S.-Japan auto negotiations in Geneva in June had added to the sense of Japanese mistrust of Washington.

Jose T. Almonte, presidential security adviser and director-general of the National Security Council in the Philippines, said that Beijing might misread the disputes between America and Japan as "hampering their ability to respond in unison to a Chinese assertion of power in East Asia."

Countries in the region say they fear that China may be tempted to use its growing economic and military strength to seek a dominant position.

"We must keep the U.S. in Asia," said George Yeo, Singapore's information minister, on a visit to Tokyo. "A continuing U.S. strategic presence in the Western Pacific will balance China's growing military might, reduce the need for Japan to rearm and ensure freedom of air and sea navigation."

In the view of East Asian countries, the alliance also helps restrain latent rivalry between China and Japan by reassuring Beijing that as long as the Japanese remain under the U.S. security umbrella, Tokyo will not need its own nuclear weapons or armed forces with long-range striking power.

Asian officials who are in regular contact at a high level with the Chinese say that Beijing fears a resurgent Japan and wants the United States to maintain a military presence in the region — at least until China becomes stronger.

Officials said the end of the Cold War and the Soviet threat in Asia had lessened the value of the

alliance for a significant number of Japanese on the pacifist left and the nationalist right of the political spectrum.

At the same time, isolationist tendencies and budgetary pressures in the United States have given rise to more frequent questions about whether Japan is pulling its weight as an ally.

Asian countries worry that with more tough trade issues still to be tackled and the leaders of both countries facing elections in the next 13 months, there will be a strong temptation for Japanese and U.S. officials to adopt hardline negotiating positions to appeal to voters.

Speaking Monday at the East-West Center in Hawaii, President Fidel V. Ramos of the Philippines said that the passing of the Cold War had not ended the usefulness of the U.S. military presence in the region.

He said that for "the foreseeable future, the U.S. must continue to be the main prop of the East Asian balance of power."

Seoul Is Scrubbing Summit With Japan Colonialism Clouds Talks

Compiled by Our Staff From Dispatches

SEOUL — A planned Japanese-South Korean summit meeting has been scrapped amid a deepening diplomatic dispute over Tokyo's version of its colonial rule over Korea, a Foreign Ministry spokesman said Wednesday.

The meeting between Prime Minister Tomiichi Murayama of Japan and President Kim Young Sam of South Korea was originally set for Sunday at the United Nations in New York.

"Japan first proposed that the summit meeting at the UN be canceled in consideration of the busy schedules of both leaders during the UN world summit," a Foreign Ministry spokesman said.

South Korea informed Japan of its decision to cancel the meeting before Mr. Kim left for Canada on Monday on an official visit.

Sentiment against remarks made by Mr. Murayama was taken into account in South Korea's decision to scrap the meeting, the spokesman said.

Mr. Murayama stirred anger in both North and South Korea this month when he repeated the long-held Japanese position that the country's annexation of Korea in 1910 took place under a valid treaty. Both Koreas say the pact was invalid because it was backed by the threat of military force.

The Japanese prime minister later implied that the treaty was signed under duress, saying the

parties were not on an "equal footing." But that did not end the dispute.

Many Koreans still harbor strong resentment over atrocities committed during Japan's 35-year rule of the peninsula, which ended in 1945 with Japan's World War II defeat.

In a related development, South Korea's governing Democratic Liberal Party on Wednesday shelved an annual South Korea-Japan lawmakers' meeting, scheduled for early November.

"It is undesirable to hold the regular plenary session of Korea-Japan lawmakers because there is no change in Japan's perception of Korea's history," said a party spokesman, Sohn Hak Kyu.

Mr. Sohn said, however, that the decision did not mean that South Korean politicians would stop meeting with their Japanese counterparts in less-official settings.

The South Korean Foreign Ministry recently issued a statement rejecting remarks by Japan's foreign minister, Yohei Kono, that Japan was not responsible for the division of Korea.

Mr. Kono was reacting to Mr. Kim's statement in an interview with The New York Times last week that Japan was responsible for the division because, had it not been for Japanese colonial rule, Korea would not have been occupied by the former Soviet Union and



Li Kashing, right, a Hong Kong tycoon, discussing a Chinese Foreign Ministry building with Deputy Foreign Minister Jiang Enzhu, center, and the Hong Kong head of the Xinhua press agency, Zhou Nan, before the laying of the cornerstone Wednesday.

Jiang Shown In Control Of Army

Reuters

BEIJING — President Jiang Zemin and China's new military leadership were shown on state television Wednesday watching naval exercises that included missile firings.

The tableau was the latest in a series of appearances designed to show that Mr. Jiang commands the loyalty of the People's Liberation Army. That loyalty is seen as crucial if he is to succeed in his bid to succeed Deng Xiaoping as the country's paramount leader. It was unclear exactly when the exercises took place.

President Jiang, wearing dark glasses, a leather cap and a green military coat, was shown seated on the deck of a navy cruiser in the middle of his military commanders to watch the display, sometimes peering through binoculars.

The television announcer said the commanders pledged "under the leadership of the party central committee and the Central Military Commission with Jiang Zemin at the core" to protect China, its people and Communist Party and to "safeguard the reunification of the motherland" — a reference to bringing Taiwan back under Beijing's rule.

the United States and then divided the end of World War II, divided Korea along the 38th parallel. U.S. forces took over the southern half and Soviet forces the north. (AFP, AP)

North Korea Rejects Seoul's Protest

Agence France-Presse

SEOUL — North Korea refused to accept a note from the United Nations Command in South Korea that protested a North Korean soldier's infiltration, the command said Wednesday.

The command's senior representative, Major General Lee Suk Bok, tried to hand the message over at the truce village of Panmunjom late Tuesday, but the North's representative "refused to accept the message," the UN Command said in a statement.

The infiltrator was shot and killed before dawn Tuesday. A second commando was seen escaping back into North Korea under cover of darkness 14 hours later.

Philippine Maid Confident of Being Freed

Reuters

AL AIN, United Arab Emirates — Sarah Balabagan, embracing her parents for the first time since escaping execution for killing her United Arab Emirates employer, said Wednesday that she was sure she would soon be released from prison.

"I am very confident I will be freed soon," said Miss Balabagan, the Filipino maid who on Saturday was spared execution by the family of the man she killed last year.

Miss Balabagan appeared relieved as she greeted her parents and 4-year-old sister in a visiting room at the Al Ain prison.

"Never. Never will I leave the country again to work," Miss Balabagan said. "I will continue my studies."

An Islamic court in the United Arab Emirates last month sentenced Miss Balabagan to death for the premeditated murder of Almas Mohammed Baloushi. It rejected her claim that she stabbed him in self-defense during what she said was a rape.

ily of a murder victim can accept compensation instead of the execution of the culprit.

Miss Balabagan's fate is now in the hands of an appeals court that must decide whether she will still serve a prison term in addition to paying the money to the Baloushis.

Miss Balabagan, who shares a cell with 10 other Asian women, said she was being treated well in prison, where she and her cellmates spend their time "playing cards, singing and writing."

Fresh Tamil Tiger Troops Try to Repel Offensive

Compiled by Our Staff From Dispatches

COLOMBO — Tamil Tiger rebels sent fresh troops into battle in northern Sri Lanka on Wednesday to blunt a major government attack involving air and artillery strikes, a Sri Lankan military spokesman said.

"The air force was called in this morning to bomb Tiger reinforcements coming into the area," the spokesman said. "Our

advance commenced this morning and we have gone another kilometer."

"Terrorist radio transmissions monitored by the army indicate they are bringing up fresh troops as they cannot stop the advance of our troops," he added.

Army losses in fighting Tuesday rose to 39 killed and nearly 300 wounded, he said, adding that the military killed more than 60 rebels and wounded more than 250.

There were no immediate figures for the fighting Wednesday.

About 7,000 soldiers launched the attack Tuesday and fought close-quarter battles with the Liberation Tigers of Tamil Eelam inside the rebels' stronghold of the Jaffna Peninsula.

Analysts said the offensive looked like the first phase of a final push to crush the separatists. (Reuters, AFP)

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Claes Makes His Case Today But Resignation at NATO Is Expected Soon

By Tom Buckle
International Herald Tribune

BRUSSELS—Willy Claes will defend himself against corruption allegations Thursday, but Belgian political observers and NATO sources predicted he would be forced to step down as the alliance's secretary-general by this weekend.

Mr. Claes planned to proclaim his innocence of involvement in defense-contract kickbacks before a private session of Parliament on Thursday.

The lower house could vote afterward to send Mr. Claes to Belgium's high court for prosecution or it could simply demand a further investigation.

Evidence against him is purely circumstantial, according to the report of a parliamentary committee that recommended that Mr. Claes be prosecuted. The report Wednesday said the request for indictment from the high court's chief prosecutor "is only based on indications of guilt."

But even officials at the Flemish Socialist party, to which Mr. Claes belonged, said the report was unlikely to sway the vote in the lower house of Parliament because the circumstantial nature of the case has been widely known for weeks.

"I'm afraid for Willy Claes it doesn't change that much," a party official said.

The general feeling is that Mr. Claes's chances are very limited, "a government official said.

At NATO, although most officials insisted that only a vote for prosecution would require Mr. Claes to resign, some sources said even a further investigation could cloud his future.

Thursday's parliamentary appearance will force Mr. Claes to miss two vital meetings at NATO headquarters, underscoring how the affair was hindering his ability to lead the alliance.

While he is defending himself, Strobe Talbott, deputy U.S. secretary of state, will brief NATO ambassadors about the Yugoslav peace process and Tuesday's meeting in Moscow of the Contact Group. At the same time, Moscow's envoy to the alliance, Vitali Churkin, will discuss with ambassadors the possible terms of Russia's participation in a force led by NATO to police a Yugoslav peace settlement.

"It is not an easy time," a NATO diplomat acknowledged.

The high court suspects Mr. Claes, as well as former Defense Minister Guy Coeque of corruption, fraud and forgery over payments made by two companies, Italy's Agusta and France's Dassault, to the Socialist Party in 1989. The companies won major defense contracts shortly after the payments. Mr. Claes was economics minister at the time.

Both men have denied taking any money on their own behalf or the party's, although Mr. Claes has acknowledged that he was told of offers from Agusta.

In a search for hard evidence, investigators are still seeking access to Swiss and Luxembourg bank accounts through which Agusta funds passed. But Jacques Velu, the high court prosecutor, has charged that Mr. Claes and Mr. Coeque are suspected of several acts in 1988 and 1989 that "seem to constitute the successive and continuous manifestation of the same criminal intention," according to the report of the parliamentary committee.

Most political observers predicted that Parliament would follow the committee's recommendation and send Mr. Claes to the high court for prosecution, but there were several grounds for caution.

The country's main political parties have agreed to let members vote their conscience, making party-line predictions impossible. And the committee apparently decided only narrowly in favor of prosecution, with most sources reporting a vote of 6 to 5.

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Strikers Heed Ciller's Call

ANKARA — Striking public employees ordered back to work by Prime Minister Tansu Ciller complied on Wednesday, but warned that they might walk out again if a new coalition government cannot resolve a pay dispute.

A senior official of the labor confederation Turk-Is, Yildirim Koc, said the prospect of the Social Democrats' rejoining a coalition with Mrs. Ciller's True Pathy Party gave hope for a just resolution to the strike that began on Sept. 20, the same day the governing coalition split up.

"If things do not go well, the strike may restart," Mr. Koc said.

Mrs. Ciller had ordered about 113,000 strikers to

return to work immediately, saying their action was "disrupting health and national security." (Reuters)

Inquiry Is Opened in Sweden

STOCKHOLM — Sweden's public prosecutor's office said Wednesday that it was opening a preliminary inquiry into admitted credit card misuse by Deputy Prime Minister Mona Sahlin, on suspicion that she may have committed breach of trust and fraud.

"I have decided to initiate an investigation in these two instances," an assistant prosecutor, Solveig Riberdahl, said at a news conference, adding that suspicions were just strong enough to warrant an investigation.



Mona Sahlin announcing Tuesday that she would withdraw her candidacy to succeed Prime Minister Ingvar Carlsson until the inquiry on her use of a government credit card was completed.

Russian MPs: Thumbs Down

MOSCOW — The lower house of the Russian Parliament rejected the government's draft budget for 1996 on Wednesday, questioning its forecasts for tax revenue and inflation.

The resolution to pass the budget at the first reading was accepted by only 129 deputies, while 138 voted against it. A majority of 226 votes would have been required to approve it. Later, the State Duma adopted on a 255-to-11 vote a resolution calling on the government to revise its budget projection. (AFP)

Kohl's Party Rejects Quota

KARLSRUHE, Germany — Chancellor Helmut Kohl failed Wednesday to persuade his Christian Democrats to introduce a women's quota in a reform package intended to revitalize the conservative party.

Mr. Kohl made an appeal to the party's annual congress to reserve one-third of all party posts and candidacies for women. But the resolution, voted on a day after the European Court of Justice struck down a strict women's quota in Bremen's civil service, failed by five votes short of the 501 vote quorum needed for approval. The vote was 496 to 288. (Reuters)

Calendar

European Union events scheduled for Thursday:

TALLIN: Budget Commissioner Erkki Liikanen makes official visit to Estonia.

BRUSSELS: João de Deus Pinheiro, commissioner in charge of relations with the African, Caribbean and Pacific states, meets with Kaire Mbuende, executive secretary of the Southern Africa Development Community.

BONN: Karel van Miert, competition commissioner, speaks at a banking conference on competition in the banking sector.

MADRID: Informal meeting of EU culture ministers on quotas for the audiovisual industry.

SAINT JOHN'S, Newfoundland: Fisheries Commissioner Emma Bonino takes part in the North Atlantic Fisheries Organization conference.

SEVILLE: Social affairs commissioner Padraig Flynn meets with Spanish labor minister José Antonio Griñán.

Sources: Agence Europe, AFP.

Austrian Rightist Is Out Of Party Over Holocaust

Reuters

VIENNA — The leader of a far-right Austrian party, Jörg Haider, has forced out of the party a member of Parliament who refused to acknowledge the Nazi Holocaust, state television reported Wednesday.

Mr. Haider, whose Freedom Party is rising steadily in opinion polls ahead of a Dec. 17 general election, took the action shortly after comments by John Gudenus in a television debate.

Asked if he believed that millions of Jews and other minorities were gassed to death under Hitler, Mr. Gudenus said: "I'll stay out of that one."

Mr. Gudenus quit the party and said he would not stand for re-election. The Freedom Party had 42 seats in Austria's 183-seat parliament, which was dissolved this week.

Ireland May Cede National Anthem

Agence France-Press

DUBLIN — The Republic of Ireland's belated national anthem, "A Soldier's Song," may become a casualty of the peace process in this divided island, Ireland's prime minister said.

In a response to a parliamentary inquiry, Prime Minister John Bruton said, "I am having the position regarding the required procedures for the commissioning and putting in place of a new anthem checked."

"A Soldier's Song" was adopted as the Free State of Ireland's anthem in 1926. Some of the song's lyrics have raised hackles in Northern Ireland.

Greenpeace Sues Paris in U.S. Over Seizing of Ship Near A-Tests

The Associated Press

LOS ANGELES — Greenpeace is suing France in a U.S. court, demanding the return of a ship seized by the French military in the South Pacific and \$1 million in damages.

"France is subject to United States jurisdiction and is answerable to its courts," Mark Serlin, an attorney for the environmental group, said after the lawsuit was filed Tuesday.

Jean-Maurice Ripert, the French consul-general in Los Angeles, declined comment.

Mr. Serlin said the Manutea was seized off the coast of the French island of Maruoa on Oct. 1.

The captain of the Manutea, Brad Ives, said Tuesday on the courthouse steps that the vessel had been boarded and crew members asked for their pas-

ports. The crew was later deported, and Mr. Ives was jailed.

The lawsuit also charges kidnapping, assault and battery and abduction of a U.S.-flagged vessel.

Mr. Serlin said Greenpeace was also taking legal action in Tahiti, demanding the return of the Rainbow Warrior II and the Greenpeace. Those vessels were seized in international waters.

Paris Urged to Pull Envoy

Fiji has told France that it should consider temporarily recalling its ambassador to Fiji because of fears for his safety during the current program of nuclear tests in the South Pacific. The Associated Press reported from Suva, Fiji.

Foreign Affairs Minister Felipe Bole, speaking in New York, said he had made the sug-

gestion to the French minister for development cooperation, Jacques Godfrain, last month in Papua-New Guinea.

Socialists Condemn Tests

The Social Democratic Party of Japan and the Socialist Party of France adopted a joint declaration Wednesday condemning French nuclear testing in the Pacific. Agence France-Presse reported from Tokyo.

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TONIGHT



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INTERNATIONAL

Smoking in China Worries Experts

'Health Disaster' Feared Because of Cigarette Use

By Steven Mufson
Washington Post Service

BEIJING — A leading American medical journal has called smoking in China "a public health emergency" and urged immediate measures to head off "what could become a health disaster."

The article in the *Journal of the American Medical Association* published Wednesday said that lung cancer rates for the entire population of China were increasing by 4.3 percent a year and that lung cancer could claim the lives of 900,000 people a year by 2025.

The report said that people in China, despite their modest incomes, were willing to spend an average of 60 percent of personal income and 17 percent of household income to buy cigarettes.

"Even if our survey underestimates incomes by 50 percent, the amount spent on smoking would still be substantial," the study's authors said.

The study was based on door-to-door interviews conducted with 3,423 men and 3,593 women in the Minhang District, a suburban area of a half-million people near Shanghai.

It was written by doctors from the Shanghai Medical University, the Minhang District Bureau of Health, the Prudential Center for Health Care Research and the Centers for Disease Control and Prevention in Atlanta.

The article provides an unusually thorough — and bleak — view of China, the world's biggest cigarette market. It suggests that the country's rising income levels could go up in smoke as individuals spend on cigarettes and as the state and society bear the costs of smoking-related illnesses.

Dominated by the Chinese state tobacco industry, which is the central government's biggest source of tax revenue, the Chinese market is now be-

ing penetrated by foreign cigarette companies eager to carve out new spheres of influence in an era of anti-smoking campaigns in other nations. Smoking rates are falling by 1.1 percent a year in the developed world, but they are rising by 2.1 percent a year in the developing world, analysts say.

"In China as well as the United States, tobacco as a profitable crop and commodity creates a conflict of interest for a government also responsible for improving its people's health," the study said. "Nonetheless, the economic costs of smoking to both the individual and society appear to outweigh its perceived benefits."

Smoking is widespread in China, and smokers light up frequently.

The study revealed that 67 percent of males but only 2 percent of females smoke. The average smoker smokes 16.5 cigarettes a day.

Moreover, cigarettes sold in China have a higher tar content, are more likely to be unfiltered than those sold in the United States and thus pose a greater health risk, the study said.

"Future prospects could be even grimmer," the study said.

While China's smoking problem is already serious, trends suggest that it is likely to get worse. The study noted that smoking is spreading among women, traditionally the people who smoke least in China. And Chinese smokers are starting to light up at younger and younger ages. As personal income rises, the Chinese are able to buy cigarettes more easily.

The study appears at a time when China is becoming more aware of the perils associated with smoking. The government has waged a campaign to limit cigarette ads on television, restrict cigarette umbrellas bearing cigarette logos and curtail the sponsorship of sports teams by tobacco giants.

Conference To Review UN's Role

Agence France-Press

CARTAGENA, Colombia — President Ernesto Samper of Colombia welcomed 52 heads of state and government on Wednesday for a meeting of the Nonaligned Movement.

The leaders are expected to endorse a final document calling for a larger developing world presence on an enlarged United Nations Security Council, and restricted UN peacekeeping efforts with more funds put toward fighting world poverty.

They are also expected to call for an end to the 33-year-old U.S. embargo on Cuba, oppose racism, call for weapons trade restrictions and global strategies and cost-sharing for actions including environmental protection and fighting illegal drugs.

The Cuban leader, Fidel Castro, who generally gets a warm welcome from crowds when traveling in Latin America, waved to cheering bystanders outside the convention center in the Caribbean resort city.

In line with changing post-Cold War times, Mr. Castro was not wearing his traditional olive drab military garb but



Fidel Castro arriving at the conference on Wednesday.

a dark business suit, as he has for several recent official events.

Yasser Arafat, the chairman of the Palestinian Liberation Organization, also marched in for the first presidential working session of the Nonaligned Movement's 11th summit meeting. The UN secretary-general, Boutros

Ghali, was also on hand for meetings that could help change the organization he leads.

With 113 members, the movement was expected to add at least two new members Wednesday: Turkmenistan and Eritrea.

The fate of Costa Rica's candidacy was unclear.

Help With a Spy Satellite

Germany Poised to Join French Project

By Joseph Fitchett
International Herald Tribune

PARIS — In a significant advance for European defense, Germany seems ready to give financial and industrial assistance to a proposed French spy satellite that would reduce reliance on data collected by the United States.

German officials said Wednesday that Chancellor Helmut Kohl and key defense and financial ministers agreed last week to spend up to 2 billion Deutsche marks (\$1.4 billion) to make Germany a full-fledged partner in launching a new satellite planned by France. The satellite, Helios-2, will carry cameras capable of photographing in day and night.

Beyond that, the Kohl government wants to explore the possibility of European cooperation with the United States, which has a huge lead in satellite technology, to cut the overall price of space-based intelligence for the West.

One of the most costly items in military modernization, satellites are a prime asset for a country that wants its own pictures of crises liable to affect its national interests.

In seeking a future trans-Atlantic dimension, Germany has kept its distance, at least temporarily, from French ambitions of creating a full-blown

European military space program. Currently, the United States has a near-monopoly on military satellites that Russia is increasingly unable to match.

Even so, the German decision will help President Jacques Chirac by guaranteeing the funding for the satellite to join the first European spy satellite, Helios-1. It was built by France with some Italian and Spanish funding and launched last summer.

In addition, Mr. Kohl has sent a timely message to France about the rewards of working with Bonn for closer European unity. Coming amid the anti-Chirac uproar in Europe and especially Germany about French nuclear testing, Mr. Kohl's decision shows how far he is willing to go in helping Mr. Chirac.

The German decision, which followed months of behind-the-scenes bargaining, was important enough for President Bill Clinton to appeal personally to Mr. Kohl to opt for a U.S. alternative.

That was an unprecedented offer in which Lockheed Martin Corp. was authorized to sell satellites to Germany that previously had remained under U.S. control. These off-the-shelf satellites were much cheaper than a French-German system being built essentially from scratch.

German officials reportedly replied that the U.S. counteroffer came too late. In fact, many German and other European officials, long accustomed to depending on U.S. intelligence data supplied through NATO, have started to share French concerns that Washington is unreliable in sharing satellite data.

European capitals are still annoyed about the abrupt cut-off of satellite intelligence last year when Congress ordered an end to U.S. help in enforcing the embargo against arms deliveries to Bosnia. Even though the United States said it continued to support NATO's wider policing effort in the Adriatic, the Clinton administration stopped supplying data about the region, even in highly confidential bilateral channels, European officials say.

In Washington, Clinton aides played down the significance of the German-French deal, suggesting that it would be years, if ever, before Europe developed enough satellite capability for the United States to consider dealing with them on equal footing.

But European officials said that John Deutch, the CIA chief, flew to Germany last month in an effort to convince Germany's intelligence community — the main customer for satellite intelligence — to accept the U.S. offer. He specifically denied reports that the U.S. satellites would carry a so-called "shutter control" device enabling the United States to disable any satellite used in a way disliked by Washington.

The German compromise, tilting to France but soothing Washington, leaves many details to be worked out, according to German news reports.

As originally conceived, German-French cooperation was going to cover both Helios-2 and Osiris, a heavier satellite to be equipped with radar vision capable of seeing through cloud cover to the type that often prevails in Europe.

That deal was supposed to include a major industrial restructuring between Aerospatiale, France's state-owned defense contractor, and Deutsch Aerospace AG, which is owned by Daimler-Benz.

Panama Is Torn Over Effort to Delay U.S. Pullout

By Tod Robberson
Washington Post Service

PANAMA CITY — Reflecting the ambivalence of their leaders, Panamanians appear divided over a proposal to extend the presence of 8,800 U.S. servicemen here beyond a 1999 pullout deadline stipulated in the Panama Canal treaties.

Years ago, riots erupted over the presence of the U.S. Southern Command. Today, mention of America's role here conjures not-so-distant memories of the scores — some say hundreds — of civilians killed during the U.S. invasion of Panama in December 1989 aimed at ousting the military dictator, General Manuel Antonio Noriega.

Nevertheless, recent polls show that 60 to 70 percent of the population wants U.S. bases here to remain open. But it is clear from dozens of street interviews that the invitation is being extended not for love of

gringos, but for love of their greenbacks.

"Most people want the Americans to stay," said Seubareno Gonzalez, a vendor. "I want them to stay. But a lot of people want them only with one condition: that they are going to pay. Either pay or go."

General Barry McCaffrey, the U.S. commander here, has made clear that his force is pleased with the prospect of moving to Miami.

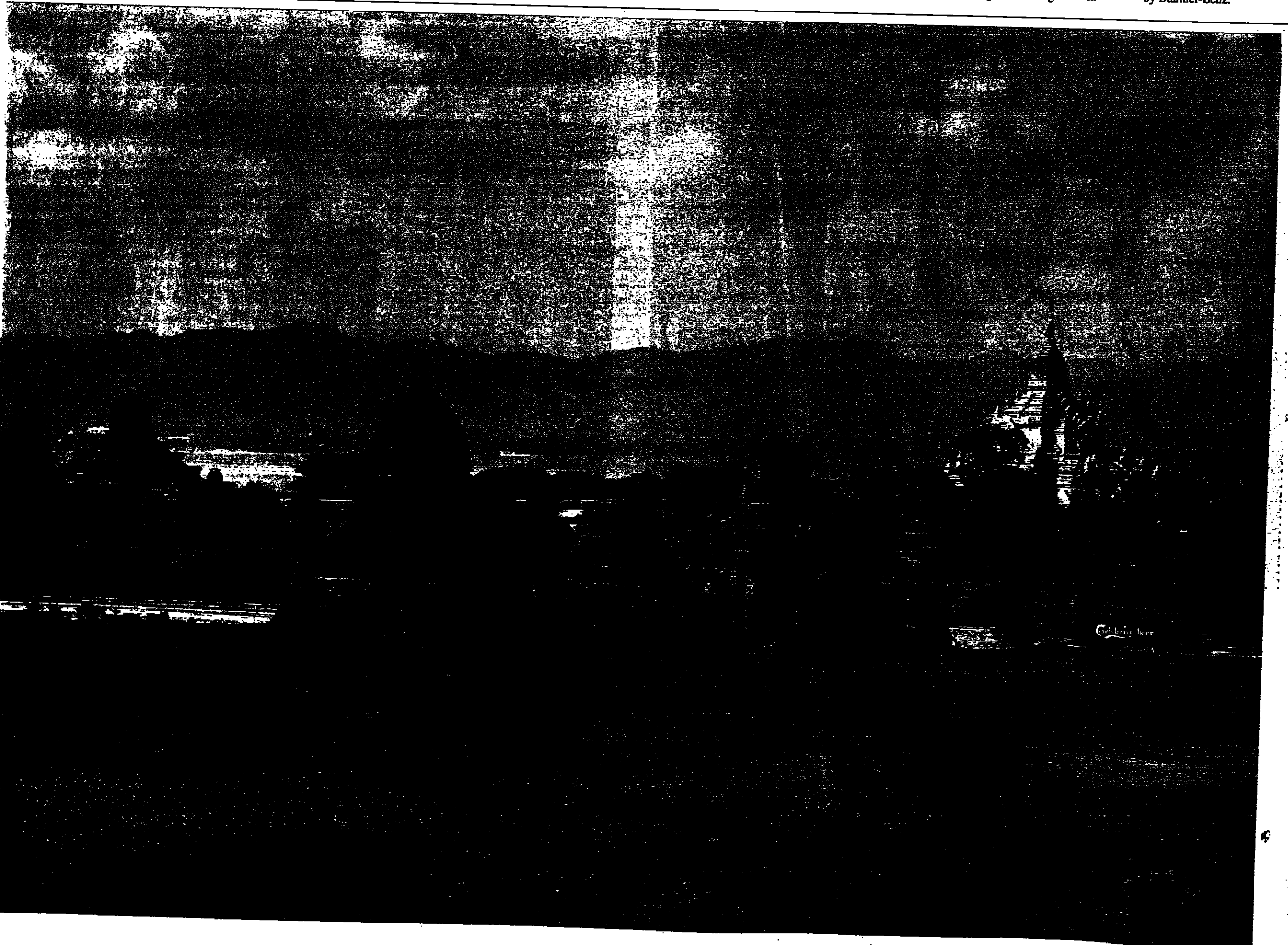
The extension proposal, put on the table last month by President Bill Clinton during talks in Washington with President Ernesto Pérez Balladares, cuts to the core of Panamanian sensitivities regarding sovereignty and economic prosperity. Pullout, set to be completed by the end of 1998, threatens the jobs of thousands of Panamanians and could mean the disappearance of millions of dollars in income.

With double-digit unemployment and at least 40 percent of the 2.5 million population living in poverty, the effects of a U.S. withdrawal could be disastrous.

At the same time, however, the prospect of ending more than 80 years of U.S. military dominance holds an allure for a people who have never really known independence from foreign occupation.

Roberto Eisenmann, a businessman and former newspaper publisher who opposes an extended military presence, said: "I would have expected that, by now, the liberation aspect of the invasion would have worn off and that we would have a lot more anti-Yankeeism than we have, having forgotten the Noriega mess. But it hasn't happened, at all."

Among politicians riding the wave of public sentiment is Mr. Pérez Balladares. A former backer of General Noriega, Mr. Pérez Balladares once helped organize street protests to demand the immediate withdrawal of all U.S. forces. A major platform item in his 1994 presidential campaign was full withdrawal of U.S. troops. But last week he named a commission to begin talks on extending the bases agreement.



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INTERNATIONAL

99.96% for Saddam, but Iraqis' Woes Grow

By Youssef M. Ibrahim
New York Times Service

BAGHDAD — As Saddam Hussein was celebrating his 99.96 percent approval rating in a referendum on his presidency, 25-year-old Malek was loitering outside a hospital here, looking for a customer for one of his kidneys.

The gaunt young man, who has been out of work for two years and would not give his full name, seemed oblivious to the fanfare surrounding the official celebration, in which the government-controlled press was lavishing every imaginable praise on Mr. Saddam.

Malek's major preoccupation was finding an elusive Libyan who he thought would pay \$550 for a healthy kidney, a small fortune in Iraq's depressed economy.

"At first my parents were opposed, but I have to support them and two brothers and a sister," Malek said as he sat at a teahouse in a Muslim Shiite neighborhood of Baghdad. "Now they see the necessity."

Five years of economic sanctions, imposed by the United Nations after Iraq invaded Kuwait, have deepened the poverty and despair of ordinary Iraqis to

the extent that Baghdad has become a center for wealthy Arabs in search of organs for transplant.

But the sanctions seem to have had little impact on Mr. Saddam or the power structure over which he presides unperturbed and, according to many Iraqis and foreign diplomats, secure.

Although the Iraqi leader's downfall has become the undeclared condition for lifting the economic siege — at least as far as the United States and its Arab Gulf allies, Kuwait and Saudi Arabia, are concerned — Mr. Saddam's domination of Iraq appears to be growing.

"If this referendum proves anything, it is that the party is firmly in control of Iraq, and Saddam runs it with an iron fist," a Western ambassador here said.

"If they can organize a referendum like this in less than three weeks, mobilize party cadres in every village, hamlet, town and city, produce precise lists for 8 million voters and march all of them to the polls to say 'yes' unanimously, it means they are not about to fall."

Mr. Saddam, who made no public appearances during the referendum on Sunday, was sworn in on Tuesday as president for an additional seven years in a televised ceremony. His deputy prime

minister, Tariq Aziz, pledged political reforms, including parliamentary elections next year, although previously promised reforms have not materialized.

In Karbala, a stronghold of the Shiite minority about 55 miles (90 kilometers) south of Baghdad, the streets were nearly deserted Sunday, but the polling stations were full of people waving their "yes" ballots for all to see.

The population in Karbala rose up in revolt against Mr. Saddam's rule in March 1991 after the Gulf War. Ironically, the brutal suppression of that rebellion was overseen by Lieutenant General Hussein Kamel Mahjoud, a son-in-law of Mr. Saddam who defected to Jordan in August.

But when the referendum results were announced in Karbala on Monday evening, 270,867 voters there, where many families lost relatives in the uprising, had said "yes" to the president's continued rule. Not one had voted "no," the government said.

Judging by scores of impromptu interviews here in the last week, however, it is not clear that Mr. Saddam would have been rejected had the voting been free.

Many Iraqis simply do not understand

why their country is prohibited under the United Nations sanctions from selling its oil. They blame their predicament on foreign attitudes that extend beyond a personal vendetta against Mr. Saddam to a longstanding prejudice against Arabs in general.

Instead of rebelling, Iraqis appear preoccupied with the struggle to survive from one day to the next.

On Baghdad's largest shopping avenue, Saadoun, Dawood Hillal did not want to hear about politics or who is to blame for Iraq's tribulations.

"Please don't ask silly questions," the pharmacist said, standing amid rows of empty shelves. "We have 11,000 children dying of malnutrition here every year. Nothing can justify this genocide."

"For every 50 people that come in, I can help one, maybe," he said.

A waiter at a restaurant frequented by several foreign reporters here slipped a note to one as he left. It said: "Dear sir, sorry to trouble you. I know you are very kind and therefore, when you leave the country, could you give me whatever medication you have. I'm poor, and I have a big family. The winter is coming. Any antibiotics would be a great help."



A mother in western Iraq caring for her 4-year-old child, suffering from malnutrition.

EUROPEAN TOPICS

In France, Be Wary Of the Fatal Fungi

It has been a mild October in France, with heavy morning dew. That's good for mushrooms.

But that also means trouble. Over the weekend, a 9-year-old boy died and his brother was left critically ill after they ate mushrooms of the highly toxic amanita family, found near their village in the southwest.

The amanita family is responsible for some 80 percent of the 30 or more deaths by mushroom poisoning each year in France, and for the 100 or so hospitalizations, reports the daily Figaro. Even with a guidebook, experts say, it is hard to distinguish from two of the edible species.

Antidotes are now available for this type of poisoning, which attacks the liver and kidneys and can bring death by internal hemorrhaging or heart attack. But such antidotes need to be administered soon after consumption of the fatal fungi. And with amanita, symptoms can show up two days later — often too late for a cure.

Around Europe

For centuries, the Germans have had an aversion to wood-frame houses, preferring stone or brick. This was not a simple question of taste or tradition. Thousands died in the great fires of the Middle Ages when the wooden dwellings of many inner cities went up in smoke. And yet the use of plaster drywalls has largely eliminated any undue danger, in the United States, 80 percent of private homes have frames of wood.

An influx of East European settlers to Germany in the early '90s created a need for

quick and relatively inexpensive housing, and suddenly wood, popular as well among the ecology-minded, began to catch on. But many people still harbor the old fears. One promoter plans to set fire to a four-story wooden house to testify to the fact that modern wooden construction meets fire safety standards.

Fast Facts: There were eight strikes last year in Switzerland, tying a record set in 1979. The number of students leaving Ireland, with its crowded campuses, to attend university in Britain and Northern Ireland is up by more than 50 percent from last year.

As Colin L. Powell flirts with a bid to become America's first black president, sparring is already under way in Ireland to lay claim to the retired general. One ancestor, he says in his autobiography, "My American Journey," was Sir Eyre Coote, who from 1806 to 1808 was lieutenant governor of Jamaica, where he had a relationship with an

African slave girl. Sir Eyre's family had an estate at Ballyfin in Ireland, proudly notes a local newspaper, the Nationalist and Leinster Times. But the Limerick Leader claims Mr. Powell for its own, saying that the Cootes' seat was at Mount Coote, outside Kilmallock, which the family represented in the Irish Parliament in the 18th century.

Two Norwegians, Lisbeth Arundsen, 32, an ad writer, and her twin sister, Bente, an art director — both active opponents of French nuclear testing in the Pacific — have had remarkable success with an unappetizing ad campaign they recently mounted. A 20-second televised spot shows a chic young woman sipping from a glass of red wine. She clears her throat and spits into the glass, then swirls it around. "This is what the French are doing to our environment," a voice says. Sales of French wine have reportedly plunged since the ads began appearing.

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INTERNATIONAL

Yugoslavia and Bosnia Move a Bit Closer

SARAJEVO, Bosnia-Herzegovina — Yugoslavia and Bosnia have agreed to open liaison offices in each other's capitals, a move short of diplomatic recognition, the U.S. peace negotiator Richard C. Holbrooke announced in Sarajevo on Wednesday.

"This is a small step on a long and difficult road," he said of the decision by two countries that have had no official contact since war broke out in Bosnia more than three years ago.

The announcement came after Mr. Holbrooke, an assistant secretary of state, met in Belgrade with President Slobodan Milosevic of Serbia and in Sarajevo with Alija Izetbegovic, the Bosnian leader, to prepare peace talks between the warring parties at the end of October.

Mr. Holbrooke, who was accompanied by a Russian envoy, Igor Ivanov, and the European Union's representative, Carl Bildt, stressed that the move to set up offices did not amount to full diplomatic recognition.

"That remains an important, and I might add difficult, objective of our negotiations," Mr. Holbrooke said, adding that the move also assumed that the Bosnia cease-fire would hold.

Washington sought to persuade Belgrade earlier this year to recognize Bosnia in exchange for a lifting of international sanctions that have crippled the Yugoslav economy.

The initiative ran out of steam after Mr. Milosevic pressed for a complete end to sanctions as the price of recognition. The Americans insisted on some mechanism to

EXODUS: Leading Writer Joins Thousands Who Give Up on Sarajevo

Continued from Page 1

city and country have changed beyond repair.

Now, with the prospect that the city's siege could be lifted and a peace deal reached after negotiations scheduled to begin in the United States on Oct. 31, the flow from the city is expected to increase.

While the West may hope that a settlement is in sight for Europe's worst conflict since World War II, the killing and conflagration have so changed Bosnia's political and social landscape that many Bosnians do not want to stay.

According to official statistics, Sarajevo had 1,991 engineers and other highly skilled technical professionals before the war. Today, it has 733. The Academy of Arts and Sciences of Bosnia-Herzegovina had 48 members before the war. Today, just 16. Almost 2,000 people were on the faculty of the University of Sarajevo when fighting broke out. Now there are half that many.

Ballet dancers have spun away, their numbers dropping from 60 to 14. Fifteen of 60 choir singers remain.

Significantly, the flight from Sarajevo

finds echoes on the Serbian-held portion of this city, where neighborhoods that once were filled with skilled workers, engineers, doctors and lawyers now either stand empty or have been filled with poor, uneducated Serbs who, like the Muslim refugees from the countryside of eastern Bosnia, who have flooded the other side of the city, are the cannon fodder of this nationalistic war.

But statistics from Serb-held Sarajevo are either unavailable or secret. The self-proclaimed Bosnian Serb state maintains the ruse that Serbs who have a choice actually want to stay there.

Population statistics have been a weapon of Bosnia's war. Each side feels that the more people it controls, the stronger its claim to the mantle of power.

On both sides of the line, almost every young educated person asked says he or she is planning to leave. Relatives in Kansas, a cousin in Canada, a dream life in California beckon to anyone with a degree or a skill. "Did you hear they're looking for dermatological aides in South Africa?" one woman exclaimed the other day to a friend at Sarajevo's market.

Sipping an espresso in a hip roadside cafe, Natasha looks as if she could be anywhere in Europe, with her dangling earrings and spiky black hair. The rude truth is that she is in Pale, the Bosnian Serb stronghold 10 miles east of Sarajevo.

Around her, Serb toughs swagger, and the music leans toward heavy metal. An armored personnel carrier rumbles by, kicking up dust. While it is cool in a movie, the scene for this high school senior has got old fast.

A refugee from Sarajevo since 1992, Natasha said she had little hope of going home. She denied that she hates Muslims, but she said she thought her city had changed too much since the war began. Besides, she and her friends who lived through the siege would probably have nothing in common any more.

There would always be those nagging questions: Where were you when hundreds died from Serbian sniper fire and shells? Natasha's solution, like those of many others, is simple. "I can't live in a village," she said, waving her hands at goat farmers and cabbage growers who surround her in Pale. "I really want to get out of here."

COLONY: Discord Flares

Continued from Page 1

government officials to believe Beijing is signaling its future policy.

"It can't be coincidental that they are doing this now," said Johannes Chan, a senior lecturer in law at Hong Kong University, who is in Geneva for the UN human-rights hearing.

"They want to send a strong political message that they are unhappy with the Bill of Rights."

Because Britain has extended coverage of the International Covenant on Civil and Political Rights to Hong Kong, the United Nations has the power to examine local human rights issues and the colony's preparation for the 1997 change in sovereignty.

Both the 1984 Sino-British Joint Declaration on Hong Kong's handover and the Basic Law declare that provisions of the International Covenant on Civil and Political rights shall continue to apply to Hong Kong.

Syria to Aid Palestinians Stranded on Cypriot Ferry

Agence France-Press

NICOSIA — Most of the 660 Palestinians stranded off Cyprus on a car ferry after leaving Libya will be allowed to enter Syria, a Syrian diplomat said Wednesday.

Roustom Zohbi, the chargé d'affaires at the Syrian Embassy in Cyprus, said, "The Syrian authorities will receive all the Palestinians with Syrian travel documents," a total of 590 people on board the ship which left the Libyan port of Tripoli on Friday.

The ship packed with workers who have lost their jobs and their families was refused entry on arrival at the Syrian port of Latakia on Monday and has been anchored off the southern Cypriot port of Larnaca since Tuesday.

Colonel Moammar Gadhafi of Libya has ordered Palestinians to leave the country and to return to Palestinian self-rule areas, to protest what he says is a phony peace between the Palestine Liberation Organization and Israel.

More than 5,000 have already left, and about 1,000 are trapped in a no-man's-land between Egypt and Libya.

But China has described as interference in its internal affairs the inclusion of the covenant's principles into Hong Kong's legal code.

"It does not appear as though China is going to accept a piece of legislation that could allow

people to take pot shots at government authority," said a Hong Kong lawyer.

"If Beijing accepts these recommendations, it won't have much impact on commercial law," the lawyer said.

Opposed for Seat, Gadhafi Rejects Security Council

Agence France-Press

TRIPOLI, Libya — Libya no longer recognizes the authority of the United Nations Security Council because it is a tool of the United States, the country's leader, Moammar Gadhafi, said Wednesday.

In a statement reported by the official Libyan press agency, Mr. Gadhafi said: "Libya refuses to be a member of this council, today a tool in the hands of one nation, the United States, which manipulates it to carry out its wishes for its own self-interest, treating the wishes and aspirations of the international community with disdain."

Libya announced Tuesday that it had dropped its attempt to join the Security Council after running into fierce opposition from the United States, France and Britain.

The three suspect Libya of involvement in terrorism.

PARIS: More Patrols by Army

Continued from Page 1

lms, most of them from North Africa, live clustered around the major cities.

Prime Minister Alain Juppé told Parliament after the bombing on Tuesday that "We will not accept Algeria's problems being transferred to French soil."

The Islamic Salvation Front, which has condemned the bombings, has said that it has no intention of bringing the conflict here.

But French newspapers and magazines made clear after Tuesday's bombing that the Algerian civil war had indeed once more come back to haunt France. The attack came on the 34th anniversary of a confrontation between Algerians and French policemen in Paris during Algeria's struggle to throw off the French colonial yoke.

Interior Minister Jean-Louis Debré said French Army troops would replace some of the 12,000 policemen mobilized to cordon off and protect schools, government offices and transportation facilities after the wave of bombings began here last July 25.

An explosion in another underground commuter train that day killed 7 passengers and wounded 84. That bomb, like the bomb on Tuesday, was made from a camping gas canister with steel bolts for shrapnel.



Policemen checking identity papers in Paris near the Arc de Triomphe on Wednesday before France ordered additional soldiers into the capital.

TERROR: How to Stop Bombers

Continued from Page 1

percent of whom are members of terrorist or criminal organizations.

"You don't turn them into informants by appealing to their better nature," he said. "You do it by bringing up evidence against them and then giving them a chance to save their necks."

A good informant, he added, is "more effective than 100 policemen every time."

Despite the almost 1 million Algerians in their country, the police in France do not appear to have the same level of knowledge of Islamic militants that British police had of Irish terrorists. Some experts have said that former Interior Minister Charles Pasqua erred in rounding up and deporting many Islamic fundamentalists who might now be able to provide valuable intelligence.

In addition, the police have been criticized for killing Khalid Kelkal, the only person linked to the bombings by hard scientific evidence. His fingerprints were found on an unexploded bomb on a rail line near Lyon, but he died in a shoot-out earlier this month.

In London, the chief constable of the British Transport Police, Desmond O'Brien, had served in Northern Ireland and was equipped to assess the threat when the London Underground and rail networks received about 4,000 bomb threats in 1991 and 1992.

Because of good intelligence, Mr. Clutterbuck said, sections of the transit system had to be closed on only 72 occasions and most of the 25 bombs that were planted were defused. Only one person was killed.

British police rely more than their French counterparts on security cameras in rail stations and other public places. Although such surveillance cannot prevent attacks, it makes it easier to find witnesses and possible suspects, Mr. Clutterbuck said.

He also stressed the necessity of coordinating all information.

After the bombings began on July 25 in Paris, President Jacques Chirac complained about insufficient coordination among the military and civilian intelligence services in France.

Although the government has set up a coordinating unit for the fight against terrorism, experts said rival police and gendarmes do not always share information, while investigating magistrates do not inform the police of what they know.

SPY: East German Spymaster Wins New Trial

Continued from Page 1

thought the arrangements we made were illegal."

A lot of them have Meissen porcelain at home," he added, referring to the fine gifts he lavished on his friends in the West. "Ask them where they got it."

Mr. Schalck-Golodkowski was a key figure in the Communist regime, but there is little doubt that he operated with the knowledge and often cooperation of West German politicians and industrialists.

The Berliner Zeitung asserted in an editorial: "Behind this currency juggler's considerable bulk are hidden arms producers like Heckler & Koch, which supplied weapons to the Stasi and the East German Army, the managers of Siemens, which supplied equipment for building rocket launchers and spying on dissidents, and the politicians who received generous contributions for their cooperation with the trade in human beings that flourished between East and West Germany."

More than 300 cases have been brought against East German officials and soldiers, but the large majority have either been found not guilty or given suspended sentences.

Erich Honecker, the longtime East German leader, was declared too ill to stand trial, and died last year in Chile. His secret police chief, Erich Mielke, was convicted of a murder committed in 1931, before East Germany even came into existence,

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For further information about any of the above conferences or for 1996 program details, please telephone or fax

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EDITORIALS/OPINION

Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Smart Aid Spending

The new Republican majority in Congress wants to eliminate government services that private markets could also provide. Yet it has aimed its budget knife at a valuable program — economic aid to the world's poorest countries — that could not possibly survive without federal funds. Drastic cuts approved by the House and Senate threaten to grind dreadfully poor people into deeper poverty.

Under President George Bush's leadership, the United States committed itself to contributing about \$1.3 billion next year to the International Development Association, an affiliate of the World Bank that provides very-low-interest loans to poor countries. As part of its deficit reduction program, the House and Senate want to renege on that commitment and reduce the contribution to between \$577 million, the House figure, and \$775 million, the Senate's figure. Neither figure makes fiscal or ethical sense.

The IDA loan program is cost-effective. Every dollar in American contributions leads to \$4 or \$5 more in contributions from other industrialized countries. To save a few hundred million out of a \$10 billion-plus foreign aid budget, Congress would trigger a \$3 billion reduction in IDA loans.

The loan program is also politically effective. By inviting poor countries to open their economies to trade and adopt market reforms, IDA loans are a cheap way for Congress to spread capitalism.

The program's multilateral nature insulates recipient countries from pressures to warp their economic programs to suit the narrow export interests of individual donors. IDA programs worked well in South Korea, Thailand, Turkey and Indonesia. They are working well in Ghana and Bolivia.

Critics of the IDA say Third World countries would become more prosperous more rapidly if they relied more on private capital and far less on World Bank handouts. This criticism applied, at least until recently, to World Bank loans for dams and other infrastructure projects. As the new president of the World Bank concedes, private capital markets are willing and able to extend such loans. But private investors will not bail out sub-Saharan Africa and other economic disasters. More than 70 percent of private lending to developing nations goes to fewer than a dozen countries. Sub-Saharan Africa claims only 2 percent.

The IDA, not private capital, fights the spread of AIDS. The IDA helps pay for schools. The IDA finances women's health and childhood nutrition programs. The World Bank has shifted its priorities from investing in concrete to investing in people. No one else can take on this role. Do American taxpayers really prefer to save themselves about \$2 a year rather than leading the world to help those eluding an existence on less than \$2 a day?

—THE NEW YORK TIMES.

\$4 Million Paint Job

Five years ago, an Alabama doctor sued BMW of North America because a new car he purchased had been repainted and he was not informed at the time of sale. In 21 U.S. states — but not, at that time, Alabama — companies were not required to inform consumers of repairs costing less than \$300, and BMW followed this guideline nationally. Nevertheless, the doctor won his case and a total of \$4,000 in damages, which the jury determined was the diminution in value of his car. Two months later another Alabama doctor brought suit against BMW in the same judicial circuit, filing an identical complaint. A jury awarded him \$4,000 in compensatory damages and \$4 million in punitive damages. Such, as one Alabama jurist pointed out later, is the "lottery" nature of the punitive damages system in that state. Unfortunately, the unpredictable and arbitrary results of these kinds of cases are not confined to Alabama.

Last week, the U.S. Supreme Court heard argument in what has come to be known as "the \$4 million paint job case." Along with the infamous punitive damages award involving a woman who spilled coffee in her lap and won millions from McDonald's because the coffee was too hot, this case is part of a set that has outraged the public — and business interests more than others — because of the tremendous disparity between the alleged wrong committed and the arbitrary

penalty imposed "to teach the defendant a lesson." (The Washington Post Company and 17 other media organizations filed one of the many amicus briefs submitted to the Supreme Court in this case.) As part of the tort reform package being considered by Congress, both houses have approved limits on punitive damages. But that legislation is stalled, so the lawsuits continue.

Alabama has a reputation as a plaintiff's state. Punitive damages are awarded there 10 times more often than in the average state. In this BMW case, however, the jury went overboard. It figured the punitive damages by multiplying the actual damages, which it set at \$4,000, by 1,000, which is the number of cars BMW has repainted and sold as new anywhere in the country during the last 10 years. It is this extension of Alabama's jurisdiction to include acts committed elsewhere that raises constitutional questions involving the commerce clause and state sovereignty. And it is the company's exposure to unpredictable, excessive and multiple punitive damages that is the basis of its due process claim.

The court here has an opportunity once again to revisit this subject and to draw some sensible lines for the guidance of juries. In the absence of congressional action, a sensible punitive damages ruling based on constitutional principles is badly needed.

—THE WASHINGTON POST.

Other Comment

America and China

We trust we're not being too cynical when we say that we expect only good things to come out of the Oct. 24 summit between the Chinese and American presidents in New York. Largely this is because the last two or three years would suggest that both sides have exhausted their entire stock of blunders. In many ways, the only way to go is up.

China and the United States must come up with some way of living together despite vast differences in their political, social and economic systems. That may not be as hard as it sounds, because, despite the many differences, they share some very common interests, including a strong trading relationship that is itself a key to China's future ambitions.

—Far Eastern Economic Review (Hong Kong).

Karadzic Isn't Acceptable

Radovan Karadzic spent the latter part of 1991 and early 1992 whipping up sectarian hatred in Bosnia. He made frequent speeches warning Bosnian Muslims that if they sought national self-determination they would be exterminated. He broadcast black propaganda claiming that Muslims were engaged in ritual slaughter of Serb families. And he helped orchestrate the initial hostilities that led to the erection of sectarian barricades in Sarajevo. His reputation as a racist zealot was such that tens of thou-

sands of Bosnian Serbs made it plain to him from the start that they had no desire to be "liberated" by his forces or to become involved in the creation of a greater Serbia.

Civilized people should not become involved in negotiating with the likes of Mr. Karadzic, who willfully destroyed the multiethnic character of Bosnia and organized the war crimes which fostered a vile sectarianism. Mr. Karadzic devised the concepts of "ethnic cleansing" and "racial purity" which have become familiar to Western observers of the tragedy in Bosnia. He believed that a short sharp period of sectarian terror and the backing of the Yugoslav national army would deliver a swift victory to his forces, and used expressions of hatred to galvanize his people. Instead of helping to shape the new Bosnia, Mr. Karadzic and his friends should be arraigned before a war crimes tribunal and asked to account for their actions.

—The Sunday Business Post (Dublin).

More Land Mines

Given the meager results of the recent UN conference on land mines held in Vienna (delegations merely agreed to disagree), one wonders whether it is really worth even holding another session next year. It would be unrealistic to expect anything but a long and arduous struggle to ban or even seriously limit the use of land mines.

—Neue Zürcher Zeitung (Zurich).



Deal Helpfully With Russia in an Awkward Season

By Rose Gottemoeller

LONDON — The cycle time in Russian politics is short nowadays, with rapid swings from one extreme to another. One day Boris Yeltsin threatens a new conflagration of war in Europe should NATO expand to Russia's borders. A few days later he vetoes Duma legislation that would lift sanctions against the Serbs, avoiding a serious collision with his partners in Europe and the United States.

The normal reaction to these rapid swings has been to cite Russian domestic politics and to stress that Mr. Yeltsin will do the right thing when it matters. But this equanimity will be difficult to sustain in the face of repeated Yeltsin explosions between now and the Duma elections in December.

Russian anxiety is growing over the future of the European security system. It will rise quickly through the autumn as NATO makes its public case for expansion. That anxiety is the root cause of a basic problem facing Russian politicians in the run-up to the elections: strident nationalists are re-seizing the election agenda and upsetting a growing centrist trend in Russian politics.

This development is ironic, since Vladimir Zhirinovskiy and the other nationalists have been ineffectual and disorganized, cut off from real decision making in the government and Parliament and increasingly out of the mainstream of politics — until the NATO expansion issue heated up.

The Russian man in the street doubtless cares more about his economic well-being than he does about NATO, but the strident reaction of the nationalists has struck a chord with the public.

Centrist themes had been gathering momentum in the political debate, focusing on voters' interest in the improving economy. Most parties outside the extreme wing had begun to stress the need for continued economic reform and foreign investment, no matter what their political stripe.

But now the nationalists are again dominating the scene, since events in the former Yugoslavia are giving them the stage to do so.

If the Russian government and the centrist politicians in Moscow are to wrest the agenda back, they will need to make progress on issues that will symbolize to voters that Russia is being taken seriously in world politics.

They will have to defuse the notion that Russia is left of the action now that it has left Soviet superpower status behind — an idea that feeds both nationalist ire and voter anxiety.

The United States and other countries, especially those around Russia's borders, have an interest in supporting this effort. If the nationalists are able to seize control in this election, then Russia's descent into extremism and isolation may be unstoppable.

Admittedly, proactive policy work with Russia will not be easy. In the United States particularly,

In return for removing five areas from the flank zone — three in the north and two in the south of Russia — the NATO countries are asking Moscow to reaffirm the treaty, increase inspections of and information exchanges on the flank and former flank areas, and constrain treaty-limited equipment in certain former flank areas.

This is a low-key, businesslike proposal that can pay big dividends. If the two sides can reach agreement by Nov. 17, when the treaty is due to enter into force, they will diffuse what would have been a major electoral issue for the Russian army.

Engage in a measure of high-stakes negotiation and summary. The very public efforts of the United States, Germany and other European countries to re-engage Russia in resolution of the Yugoslav crisis have been important. Helmut Kohl and Bill Clinton have conferred with President Yeltsin. U.S. Deputy Secretary of State Strobe Talbott has been to Moscow. Secretary of Defense William Perry has met with Russian Defense Minister Pavel Grachev. As long as Mr. Yeltsin can claim through this activity to be part of the solution — in this case, helping to form the implementation forces for the peace in Bosnia-Herzegovina — then Russia is publicly back in the game and not on the sidelines.

By the same token, Mr. Clinton, Mr. Yeltsin and other world leaders should take full advantage of next week's celebration of 50 years of the United Nations to talk about the future of Europe. For a Russian audience, discussion of European security and NATO's future will reside well in the larger context of this international celebration. Mr. Yeltsin, in his UN appearance as well as his summit with Mr. Clinton on Monday, should be able to play the tough but genial diplomat.

For European leaders and for Mr. Clinton, the UN celebration will be an opportunity to restore some perspective to discussions of Europe's future. From the outset,

they have tried to include Russia in its definition, but increasingly prickly Russian politicians — including Mr. Yeltsin — have made that process difficult. The 50th anniversary will be an ideal setting to restore not only Russian public faith in the dialogue but also the momentum of the process.

Demand credibility from Russia. For Russia to be a credible player, it is important that private discussions between Russia and NATO of command and control arrangements in the former Yugoslavia make clear that, if Russia is to have a special role with NATO, its commanders must work to the same standards as their counterparts do, striving against the corrupt practices that have been a problem for Russian forces in Yugoslavia in the past.

For the implementation force to succeed, its commanders will have to be the best and the brightest, respected leaders committed to the operation's success. Russia's commanders should be fully the equals of their NATO counterparts, in this respect as in others.

Involve Russia's neighbors. Central and East Europeans might be effective in working with Moscow on the future of Europe. Their interest in integrating westward for economic, political and security reasons has anchored them in Western institutions and put them far ahead of Russia in understanding the dynamics of Europe's restructuring.

They have quickly developed close relations with NATO through the Partnership for Peace, bringing armies into exercise training and trying to solve the practical problems of interoperability between East and West. And they have worked with European institutions in multiple ways.

Better than most in the Western alliance, they understand what Russia is: her imperial history and her aspirations, her upset at the loss of status and power since the Soviet breakup. From this vantage point, they are well-suited, say, to cooperate with Russian defense industries to build equipment that is interoperable with that of NATO armies. They would thus be developing an incentive for Russia to participate in a European security architecture that marries East and West.

None of these steps is easy, but they have the virtue of demanding hard work from both sides, ultimately giving Russia and its Western counterparts some small and large victories to point to. They represent the only way to move through the election season and still accomplish progress with Russia, progress that will have a chance of halting its descent into nationalism and isolation.

The writer, deputy director of the International Institute for Strategic Studies, contributed this comment to the International Herald Tribune.

Pay Attention to the Real Problem

By Frank Rich

NEW YORK — At a time when white Americans can't agree among themselves on anything, here at last is one opinion that unites us all, liberal and conservative, Democrat and Republican, rich and poor: Louis Farrakhan is a hate-filled demagogue with a divisive, separatist ideology and an appalling record of racism, sexism, anti-Semitism and homophobia.

This judgment is to my mind as indisputable as it is original, and nothing happened at Monday's march in Washington to alter it.

Mr. Farrakhan's efforts to strike a benign pose were fatally compromised by his speech's lurid digressions into crypto-mysticism and self-deification. His offer of dialogue with Jews was cynical and meaningless, given his refusal to admit his history of hate speech, let alone apologize. His retinue of brown-shirts injected the chilling trappings of fascism into an event otherwise resplendent in peace.

So white America agrees: Louis Farrakhan is up to no good. But now that we've all said that as loud as we can, where do we go next? Should we keep saying it over and over, louder and louder, and hope that Mr. Farrakhan will just go away?

Apparently so, politicians tell us. Monday began with President Bill Clinton firmly denouncing Mr. Farrakhan and ended with Bob Dole and Newt Gingrich both following suit and attacking Mr. Clinton for not denouncing Mr. Farrakhan by name. Perhaps tomorrow Phil Gramm will accompany his attack on Mr. Far-

rakhan with an attack on Mr. Dole for not attacking Mr. Farrakhan at greater length.

This game can be played indefinitely with short-term political profit, since no white candidate is ever going to lose by decrying the Nation of Islam. But what exactly is being accomplished? Yes, Mr. Farrakhan is a menace and must be watched vigilantly. Still, white America makes a fetish of him at its peril.

The pre-march attacks on Mr. Farrakhan did nothing to deter 400,000 African-Americans, only a minority of whom support the Nation of Islam, from turning up in Washington to express their impassioned desire to stem the economic and social collapse of their communities. Now that the march is history, attacks on Mr. Farrakhan are not going to erase the powerful and substantive message of most of its participants.

By continuing to fixate on Mr. Farrakhan, rather than on the legitimate concerns of the 400,000 marchers, white politicians only give their nemesis more credibility and power. It is the failure of the entire political establishment to heed the spiraling crisis of the black underclass in the first place that gave the extremist Farrakhan his opening to seize a resonant mainstream issue as his own.

That opening keeps getting larger. In the two weeks of racial turmoil between the O. J. Simpson verdict and Monday's

march, the paralysis of white political leadership was embarrassingly pronounced. The verdict that preoccupied most Americans yielded only some cautious homilies from President Clinton in a newspaper interview, and shilly-shallying from most of the Republican field.

At last week's forum of Republican presidential candidates, a visitor from Mars might never have guessed that the Simpson verdict had rocked the country or that the march was in the offing: there was so little talk about Topics A and B that Jack Kemp chided fellow Republicans for miffing "an incredible opportunity to step into the vacuum."

Mr. Clinton, at least, did give a thoughtful address on both white and black racism, but from the remote perch of Austin on Monday, just as the march hit its stride at the Mall, its leadership to give such a speech in lockstep with Mr. Farrakhan's event rather than a step or two ahead of it?

The healing, philosophic long view of Mr. Clinton's remarks seemed out of sync with the moment anyway, more appropriate to the inflammatory immediate aftermath of the Simpson verdict than to the day of the march. And since the speech offered no specific policies, the only sound bite in it not drowned out by Mr. Farrakhan in the evening news was, inevitably, the attack on Mr. Farrakhan.

Well, he is a bad guy, all right. But if this is the sole message white America can send to black America in the wake of the big march, his reign has only begun.

The New York Times.

Islamists Imagine Collusion

By Khalid Duran

WASHINGTON — In June 1994, President Bill Clinton sparked furious controversy when he appeared to suggest that Islamists be brought into the Algerian power structure.

That stoked the rumor mill and produced "explanations" that might bring a smile to the lips of many but are taken seriously by some in the Muslim world.

Iran and various Islamist parties had earlier accused Washington of supporting the Algerian generals. Now they revised their explanation: America favored the Islamists against the generals in order to gain a larger share of Algeria's resources.

In February 1995, widows of assassinated Algerian writers, journalists and judges held a protest meeting in Brussels. The central figure lashed out at the United States for attempting to dominate the Maghreb region.

The insurgents may have been so encouraged by the Clinton administration that they have avoided harming Americans, who are absent from the long casualty list of foreigners assassinated in Algeria since 1992.

According to some reports from Afghanistan, Arab guerrillas have formed a special unit to strike at American interests, but Algerians in Afghanistan refused to join in for fear of jeopardizing relations with Washington.

Anti-Islamist Muslims and others around the world were exasperated by the American position. Of the many conspiracy theories now in circulation, one of the most popular in the Middle East and North Africa is that Islamism is an American creation to keep the region backward and economically dependent upon the West. Whenever a country in the region is making headway, so this version goes, extremism surges.

The rationale for this? The Islamists' nuisance value to the United States is insignificant compared to the benefits accruing from keeping the region in the bonds of backwardness.

This is one of the most potent conspiracy myths in the Muslim world today, incredible as it may seem, and a deeply held conviction shared by peasants in Pakistan, intellectuals in Iran, bureaucrats in Syria, policemen in Egypt, laborers in Sudan, and women in Algeria.

Any official American statement that appears to accept Islamism as an alternative or a democratic necessity provokes alarm. Extremists see it as a green light; others hear a funeral bell.

Hardly a week passes without this topic coming up in the Arab press in one form or another. American policymakers seem unaware that the real or imagined history of American covert operations in the 20th century is more than enough to convince most of the world that the United States is actively involved in the creation of political conflicts.

Statements about self-determination can be read variously as licenses for armed struggle, betrayal and abandonment, promises of active support, or collaboration with the enemy.

Although there is debate in the United States about supporting political movements abroad that would be considered objectionable at home (and not only in relation to Islam), for many looking in from the outside, U.S. policies are often confusing.

This is especially true with regard to Egypt and Saudi Arabia, both of which are central to the progress of Islamism. Largely uncritical support of these regimes is tantamount, in the view of some Muslims, to direct negotiations with Islamist insurgents.

The writer is editor of TransState Islam, published quarterly by the Institute for International Studies. This comment has been adapted by the International Herald Tribune from the summer 1995 issue.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1895: Russia in East

VIENNA — In the Russian Ministries of War and Marine, feverish activity is displayed owing to a firm conviction that Russia will shortly have recourse to active interference in the affairs of the Far East. Russia considers that she has excellent claims to assume a protectorate of Corea, and that no other arrangement is compatible with her interests. There cannot be the slightest doubt that Russia contemplates an energetic policy in the Far East and is making superhuman efforts to carry it to a successful issue.

1920: Emigrés' Camp

PARIS — Work will be undertaken immediately and carried on throughout the winter on the creation of a camp hotel at Cherbourg by a consortium of Transatlantic navigation companies. It is destined to serve as a clearing-house for emigrants from European

countries who sail for America. Preliminary plans have been prepared for one camp to house two thousand. The plans of this group of structures call for an expenditure of 5,000,000fr. A site has been bought near the spot.

1945: Nazis Indicted

BERLIN — The indictment of the twenty-four leaders of Nazi Germany who will be defendants at the first international war crimes trial at Nuremberg was formally presented to the International Military Tribunal here today [Oct. 18.] by the chief prosecutors of the Soviet Union, Britain, France, and the United States. In the 25,000 word indictment, Hermann Goering, Rudolf Hess, Joachim von Ribbentrop, Wilhelm Keitel, and twenty others are charged individually and as members of Nazi organizations with conspiracy to commit "crimes against peace, war crimes, and crimes against humanity."



International Herald Tribune
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U.K. Advertising Office: 63 Long Acre, London WC2E. Tel. (171) 836-4802. Fax: (171) 246-2254

S.A. au capital de 1.200.000 F. RCS Nanterre B 732021126. Commission Paritaire No. 61337

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OPINION/LETTERS

Cutting International Aid Would Impoverish America

By Jessica Mathews

WASHINGTON — A dispassionate foreign observer of Congress's budget choices would have to conclude that Americans' only international aspiration is to be global policeman. Or, to be scrupulously fair, a policeman with a handout for refugees and the most wretched victims of disaster.

That isn't what Americans want, but it's what — unless drastic adjustments are made in the next few weeks of bargaining — they're going to get. In both the House and Senate versions of next year's budget, every means of keeping the peace short of military action and every other cost of international leadership or national self-interest — political, economic, environmental, humanitarian — is stripped to near or below the minimum while more money than the Pentagon thinks it can usefully spend is crammed down its throat.

In round numbers, Congress has added \$7 billion to a \$220 billion military total that already dwarfs what all of the rest of the world outside NATO spends on defense. Meanwhile, in the name of deficit reduction, it is planning to cut \$3 billion to \$4 billion from all other international spending. That may not sound like much, but it amounts to 15 percent to 20 percent of the \$20 billion total in international affairs spending and includes reductions for most international agencies of 25 percent to 60 percent.

The cuts mean that U.S. embassies and

consulates will close when a globalizing economy and more independent countries mean that more should be opening. They translate into fewer foreign service officers, hamstringing diplomacy and less of the most cost-efficient means of intelligence gathering. They mean long lines and poor services for Americans at home and abroad. All of that is tolerable, if neither sensible nor necessary, given defense increases.

What will really hurt American interests — indeed already has — are the cuts to the United Nations, the World Bank's fund for the poorest countries and the host of small international agencies that provide hundreds of services Americans need and value and underpin agreements that both parties have spent years of tough negotiating to achieve.

Where the cuts are in dues for which the United States is legally committed, as are its UN dues, the cost will be measured in an unraveling of international law not limited to finances. If the United States can renege on its funding obligations, why can't X or Y (fill in the country and topic of your choice)?

Even where the cuts are in voluntary contributions, the result of a U.S. pullback from the international community — along a front that reaches from peacekeeping to environmental protection — will be a declining

interest on the part of other countries in supporting U.S. initiatives. That will fuel further disenchantment in the United States, with results that no one wants.

The cycle has already begun. The United States owes the United Nations \$1.5 billion, a debt that threatens to tip that institution into insolvency. The United Nations is limping along by not paying what it owes to contractors and to countries that supply its peacekeeping troops. In effect, the likes of Pakistan and Bangladesh are covering the United States' bad check.

Congress wants to see organizational reforms at the UN before it will consider even a partial payment. But for the rest of the world, the No. 1 item on the agenda is that a country that can afford to do so does not pay its dues year after year. As Britain's foreign secretary remarked to an appreciative audience, the United States seems to want "representation without taxation."

Part of what has brought the United States to this sorry pass is too many years of cheap-shot — and now almost obligatory — political rhetoric that has inflated the self-evident need for UN reform into a problem of unrecognizable dimensions in the minds of most Americans. Even while defending the United Nations, U.S. Ambassador Madeline Albright called it "elephantine." It took the Australian foreign minister, Gareth Evans, to provide some perspective by pointing out

that the UN's secretariat and core functions cost \$600 million less than the New York City Police Department. Adding the development, environment and population agencies, the huge refugee operation, Unicef and others, the total is still less than Congress's defense add-on.

Having launched a last-minute effort to rescue UN funds and the rest of the international affairs budget, the Clinton administration is battling a sentiment it helped create by blaming the United Nations for its own mistakes in Somalia and Bosnia, and an attitude on the part of congressional freshmen for which the politest description is a profound and willful ignorance of America's role in the world, its obligations, its interests and what it takes to meet them.

However long it takes, this struggle deserves attention and public support. No American doubts the need for a superlative military. But it should be obvious by now that the best-armed force cannot meet more than a fraction of the threats of the post-Cold War world nor help seize most of its opportunities. An America served by a rich military budget and impoverished funding for every other international function will be a country both poorer and less secure than it should be.

The writer is a senior fellow at the Council on Foreign Relations. She contributed this comment to *The Washington Post*.

Why One Jewish Family Still Calls Hebron Home

By June Leavitt

HEBRON, Israeli-Occupied West Bank — I have the Hebron disease.

There is no other way to explain why my family continues living here despite 100 good reasons we should not.

We should not live in a settlement of high-rise concrete buildings behind a barbed-wire fence because

MEANWHILE

we love nature and unbounded expanses. We are former homesteaders from Massachusetts. How will we exist if our settlement, Kiryat Arba, is made a ghetto inside a Palestinian state?

We should not be here because we are different from so many other settlers. We were once outwardly religious, but eight years ago my husband, Frank, took off his yarmulke and I my headscarf. Now we are only inwardly religious, which most people here cannot understand.

We should not live here because we are not really happy in the usual sense of happiness. We do not have that tranquility of soul, that sweetness associated with home.

The poor insulation in the apartment buildings does nothing to shut out the constant noise of radios, televisions and loud metallic music from our neighbors.

There is no peace at home or on the roads. My husband teaches at Beersheba University, a 90-minute drive. Six years ago, an Arab threw a sharpened stone through the window of his car.

Frank's jaw and an eye socket were smashed. He fell unconscious over the steering wheel, his foot heavy on the gas pedal. Had not his passenger — a hitchhiking soldier — grabbed control of the car, they might have both been killed.

My husband came out of this "accident" with a stab at an answer to the Zen koan that sticks in our throats like a molten ball of iron. Why do we keep living in Hebron? Because in Hebron, God runs the show.

It takes an amazing amount of energy to keep one's mental health. Every day, psychic battles must be fought against the government we feel is betraying us, against the half of our nation that hates us, against the Arabs who want to drive us once and for all into the sea.

Last year, my 12-year-old son, Joshua, was riding on a bus that came

under terrorist fire. A friend next to him got a bullet in the back. Joshua held him until rescue workers arrived and even then refused to let go.

Two of our neighbors lay murdered in their seats. Why are we submitting our offspring to such a childhood?

There are those who have been able to uproot themselves from this cocoonlike community. Some are thriving elsewhere. Others come running back.

One mother of four moved with her family to Tel Aviv, where she wandered the streets bewildered. Finally, she moved back here.

Atheists do not feel the power that pours out of the dark stone buildings, out of the narrow, dung-scented streets. But the muezzins calling from the mosques feel the power. Often they call upon the Arabs to rise up and claim Abraham's resting place and their own.

The leaders of our government do not feel the spiritual power, though they fear that the mysticism that breathes life into Arab militants and

The spiritual power of the place leads many settlers to stay on, despite the hardships.

Jewish settlers might cause an end to the peace process. They would like to uproot the biblical primitivism from the postmodern Israel they are trying to forge.

My husband and I would like to uproot the mysticism from ourselves, too, or at least uproot ourselves from the source of it. But the attack on the bus made us realize how absolutely dependent we are on what Carl Jung called the "irrational facts of experience."

Another friend who was on that bus opened her daily agenda book several days later. To her shock, she found a bullet embedded in the pages. A miracle, people here say.

They are afflicted with the Hebron disease, the uncomfortable gift of sensing that reality is infinitely more profound than what meets the eye.

The writer is author of the forthcoming "Diary of a Settler." She contributed this comment to *The New York Times*.

LETTERS TO THE EDITOR

Strange Silence

I noticed that there hasn't been a lot of comment or criticism of the Pope's visit to the United States from those in Congress and elsewhere in the United States who want to eliminate the "safety net" for the needy.

I guess they would rather not respond negatively to the Pope's message in public. A point that has become rather clear recently, even though the Pope's message was not partisan, is that it took the world leader of the Catholic Church to remind Americans who they are and that they "must continue to be a caring people and nation," a country and people committed to hope, opportunity, and social and economic justice. I hope the United States will always be the voice of the poor and oppressed.

RAYMOND L. FLYNN,
Rome.

Mr. Flynn is the U.S. ambassador to the Holy See and was formerly mayor of Boston.

Visit in France

Regarding "An Annoyed Paris Rejects Call to End Its Nuclear Testing" (Oct. 14):

Following the Nobel Peace Prize awarded to Joseph Rotblat and the Pugwash conference for their efforts to end nuclear testing, I suggest President Jacques Chirac and Prime Minister Alain Juppé take a small trip to my wife and I made a few weeks ago to the Normandy coast.

Though I was in the Pacific theater during the war, I was drawn to Normandy's beaches, cemeteries and museums. As all who have been there know, it is a painful experience.

It is a grotesque irony that France alone, except for China, should now defy the nations of the world that are finally and safely united in their call for the end of nuclear testing.

IRVING ZEIGER,
Ubud, Indonesia.

Japanese Assertion

Japan's assertion that its annexation of Korea was valid ("Japan

Again Defends Annexation of Korea as Legal," Oct. 12) is another indication of the unwillingness of the Japanese government to assume responsibility for its aggression in Asia during the first half of the 20th century.

Both customary international law and the Vienna Convention on Treaties hold that treaties negotiated and ratified under duress, compulsion or fraudulent means are null and void. In view of the fact that Japan's crimes against the Korean people were among its most heinous, it behooves the Japanese government to retract and apologize for this historical outrage.

ROBERT WELLS,
Kuala Lumpur.

Misleading Picture

Regarding "Utilities Target Pollution; Pilot Plant to Cut Harmful Emissions" (Sept. 19):

Stephen Kinzer's article on joint implementation under the Framework Convention on Climate Change presents a misleading pic-

ture. It is not the case that most countries have accepted joint implementation as allowing a government to receive a credit toward domestic emission reductions by sponsoring projects abroad. Joint implementation was discussed at the April 1995 conference of the parties to the convention in Berlin, but there was significant concern about the approach, particularly among some of the developing countries. As a result, the parties agreed to apply joint implementation on a trial basis only, during which time no credits will be granted. The results of the trial are to be reviewed before 2000.

It is not difficult to understand why developing countries should be suspicious about joint implementation and emission credits. Under the terms of the convention, the developed countries are required to take measures to limit their own emissions of greenhouse gases, and to provide financial and technical support to assist the developing countries in reducing their emissions. The fulfillment of the latter obligation by the developed countries is not in-

tended to provide an escape route for the avoidance of the former.

The convention itself notes that the largest share of historical and current emissions of greenhouse gases has originated in developed countries, and that emissions in developing countries will grow along with their social and development needs. Given, then, that climate change is attributed primarily to developed countries' emissions, it is fatuous to believe the problem will be solved by joint implementation and the credit approach. The stabilization of greenhouse gas levels will be achieved only if the developed countries, particularly those with profitable levels of energy use and greenhouse emissions, take positive steps such as promotion of alternative energy sources, end-use energy efficiency and transport demand management. Support for projects in less-developed countries is laudable but should not be an excuse for the failure of developed countries to bring down their own emission levels.

NEIL EMMOTT,
London.

BOOKS

P.S., A MEMOIR

By Pierre Salinger. 304 pages. \$24.95. St. Martin's.

Reviewed by
Diana McLellan

PIERRE Salinger is what used to be called a man's man — a cigar-chomping, poker-playing, partisan, four-times-wed, multiple-mistress-boasting sort of guy, with an ego as big as the Ritz.

He was, he tells us, a prodigy on the piano at 6, a naval commander and hero at 19. He became a reporter at the San Francisco Chronicle (where he once helped out on the gossip column) and for *Colliers* magazine.

When that organ died, he investigated the Teamsters for Bobby Kennedy's Senate Labor Rackets Committee.

Then came the big-time: press adviser to Democratic candidate John F. Kennedy — and President Kennedy's White House press secretary.

After that, he had a five-

month appointment to fill the late Clair Engle's Senate seat. He became Bobby Kennedy's adviser in his bid for the presidency and, after Bobby's assassination, worked for George McGovern.

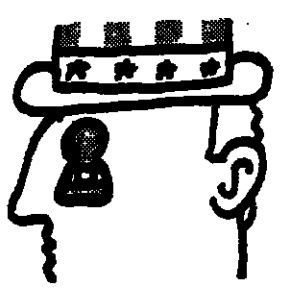
Then came Paris and 15 years at ABC. He's currently a big wheel at the Burson-Marsteller public relations agency in Washington, where his clients include the governments of Mexico and Indonesia and the German Ministry of Economics.

A fascinating life, you'd think. And sizable chunks of this memoir reflect that. There is a splendid account of two days in May of 1961 that he spent eating and talking and walking in the woods with Nikita Khrushchev — reported in astonishing detail, considering the amount of vodka that went down both their gullets.

There's another of a three-and-a-half hour meeting in 1975 with Fidel Castro, in which the latter vehemently declares his admiration for the late JFK. (James Reston came

WHAT THEY'RE READING

• Lana Pollack, publisher of *Michigan Monthly*, is reading "Gentleman Spy: The Life of Allen Dulles" by Peter Grose. "I'm increasingly amazed at the role that covert intelligence has played in American policy. The book is an insider's look at the 20th century through the life of one man who managed to put himself in the middle of America's greatest historical events." (Al Goodman, IHT)



along, says Salinger — bearing a message from Henry Kissinger, who wished to begin negotiations to reestablish relations between the United States and Cuba.)

Salinger was a highly popular White House press secretary in his day, at least among male reporters. Under his rule, any scribe could interview any staffer with no spin control from the press office.

He had great delicacy, too. When JFK began tossing small luncheons for groups of journalists from various states and the out-of-towners began pocketing White House spoons as souvenirs, Salinger had the Secret Service arrange for a retired pickpocket to circulate among guests as they left, to retrieve the errant silverware.

He tells of delivering a 26-page letter from Khrushchev to Kennedy — one that kicked off a copious correspondence between the two which lasted until JFK's death.

The samples he offers are riveting. (I hear on the grapevine that the State Department plans to publish all 44 within a year or so.)

There are also some tasty transcripts plucked from Salinger's old files. These include Leonard Bernstein's ravishing description of the Kennedys' White House dinner for Pablo Casals and an interview with Jackie typed for the LBJ Library, in which she is touchingly grateful for the Johnsons' kindness in the wake of her husband's assassination.

Salinger speaks fluent French thanks to his mother, the daughter of a French lawyer who had defended Captain Alfred Dreyfus in the Dreyfus case of 1894.

Partly because of this, Kennedy, he claims, had promised him the job of ambassador to France in his second term.

When Jimmy Carter was elected, Salinger wrote him asking for the appointment. (Unfortunately the letter got

lost in the mail. He tried again with Clinton — this man never gives up — but Pamela Harriman won the plum.)

Salinger is generous to LBJ but does mention a couple of the Texan's less seemly habits: summoning a cabinet member to the bathroom to chat, for example, and consummating an "affair" with a female member of Salinger's staff when she delivered some papers to his office.

Now for the downside: It's hard to take a shine to a guy like Salinger. He whines about his first wife's "drinking problem" even as he chorales over his own bar crawls.

In fact, at center stage in this book at all times is Salinger's enormous, overweening vanity. He is shocked about awards he did not win; he believes himself the most famous American in France; he thinks he's a marvelous writer; he is ready to ask almost anyone for a top-paying job; his divorces are always his wives' fault.

On top of that, you get the feeling that on certain issues — like his forays to chat up the likes of Moammar Gadhafi, Saddam Hussein and others — he has not been entirely candid about his own agenda.

He concludes that the United States, Britain and France essentially conspired to clear Syria and Iran of the Pan Am bombing and to pick on Libya instead, but he expects us to believe his source simply because he did.

Much of this book gives you the stifling sensation that you've been trapped for hours at the Press Club bar by a self-important old coot. But, as often with venerable barflies, some of the juicy bits, when they finally manage to ooze out, are worth the aggravation.

Diana McLellan, a contributing editor of the *Ladies Home Journal* and *Washington Post*, wrote this for the *Washington Post*.

BRIDGE

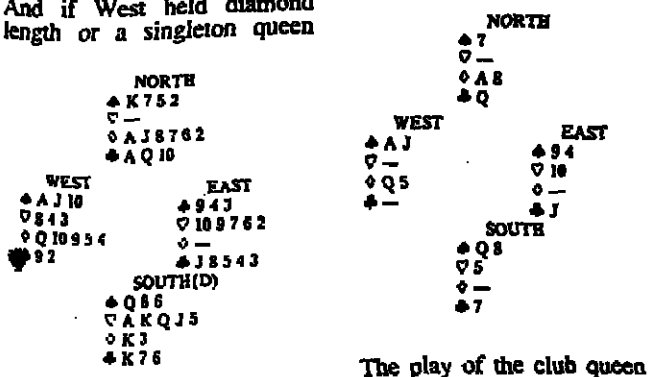
By Alan Truscott

IN the diagrammed deal, the two-diamond response was game-forcing, and the eventual four-no-trump bid was roman key-card Blackwood. Five clubs showed three key cards, with the spade king counting as the equivalent of an ace.

The final contract of six no-trump was just slightly optimistic. It was due to succeed easily if the diamond suit lay favorably, with a 3-2 split and the queen in the West hand. And if West held diamond length or a singleton queen

there were some chances, one of which came home for the declarer.

He won the opening lead of the diamond nine with the king, noting East's discard, and led a spade to dummy's king. He then crossed to the club king, and hopefully cashed his top hearts. This suit failed to break evenly, but he was still safe. The diamond three was led, and West played the ten to prevent the finesse of the eight. The marked finesse of the diamond jack was taken, and one club winner was cashed to reach this ending:



Both sides were vulnerable. The play of the club queen squeezed West out of the spade jack, and a spade lead then forced him to lead a diamond at the finish.

Curiously, there was no way to beat the slam, although that is not obvious.

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HEALTH/SCIENCE

Russian Spy Plane Enlisted in Ozone Probes

By Malcolm W. Browne
New York Times Service

NEW YORK — For the first time since the end of the cold war, a Russian high-altitude spy plane has been put at the disposal of Western European scientists, who will use it to study depletion of the protective ozone layer over Arctic regions.

The European Science Foundation announced last week that Russia will provide a specially modified Myasishchev M-55 airplane for high-altitude arctic studies during the winter and spring months of 1996 to 1998. The M-55 Geophysika (code named by NATO as Mystic) is roughly equivalent in purpose and performance to America's U-2 reconnaissance plane. However, it can carry much heavier loads than the U-2, enabling it to fly large analytical instruments to altitudes up to 67,000 feet (about 20,000 meters).

Depletion of the earth's stratospheric ozone, which protects human beings and animals from dangerous solar ultraviolet radiation, was detected in 1975 by a high-flying U-2.

Since then, depletion of the ozone layer

has progressed to the point at which a gigantic hole in the ozone layer opens over Antarctica every southern spring. Less severe but marked depletion of the ozone layer has also begun to occur over the Arctic during the northern spring, and there has been pronounced thinning of the ozone shield even over temperate regions in recent years.

Most atmospheric scientists attribute the ozone depletion to increasing quantities of chlorofluorocarbons and similar Freon compounds released into the atmosphere by human activity. Freons have been used for many years as refrigerant gases in refrigerators and air conditioners, as foaming agents in plastic, as insulators, as solvents for cleaning computer components and in many other applications. Although the United States banned Freon propellants in aerosol sprays in 1978, some nations continue to manufacture Freon-propelled sprays.

Although production of these chemicals is now prohibited in most industrial nations, their effects on the ozone layer are expected to increase and linger for many years. At high altitudes, Freons are broken down by ultraviolet radiation from the sun, producing chlorine compounds that react

with ozone. This initiates a chain reaction, in which the destructive chlorine compounds are regenerated, becoming available to destroy still more ozone.

According to the European Science Foundation, which is based in Strasbourg, the M-55 provided by the Myasishchev Design Bureau, the Russian Central Aerological Center and Avioexport will be able to study the chemical reactions believed to occur on the surfaces of fine ice particles that make up polar stratospheric clouds. These clouds, which appear in early spring, seem to play a pivotal role in catalyzing the chemical reactions that lead to the destruction of ozone.

THE leader of the scientific team, Dr. Leopoldo Stafanutti of the Italian National Research Council, hopes to combine measurements made by the M-55 with mathematical models of possible physical and chemical changes occurring in the stratospheric clouds. This, he hopes, will lead to methods by which forecasts can be made regarding changes in the ozone layer.

Participants in the Airborne Polar Experiment include some 20 research insti-

tutions in Russia, Italy, Germany, Great Britain, Finland, Norway, Sweden and Switzerland. The group plans particularly to study lee wave clouds, clouds of ice particles that form downwind of mountain peaks, in Scandinavia and the Urals. The plane will also analyze the chemistry and physics of polar stratospheric clouds in the Siberian Arctic, where no comparable measurements have ever been made, the foundation said.

A secondary object of the flights, each of which may last up to six hours, will be to catalogue all types of aerosol particles present in the European and Arctic atmosphere up to the plane's operational ceiling. Aerosols come from both natural sources (like volcanoes) and human activity (such as the burning of soft coal).

The M-55 has been scrutinized by Western observers only a few times since NATO intelligence experts spotted it at a Soviet airfield in 1982. Six of these planes were built, five of which remain in military service. The civilian version, the Geophysika, is a single-seat airplane with two jet engines, twin tail booms and wings 133 feet long, and it has a huge instrument bay that can carry more than 3,000 pounds (1,360 kilograms).



The MYASISHEV M-55 spy plane can carry large analytical instruments to study the protective ozone layer.

European Science Foundation

The New York Times

Low-Fat Diet May Reverse Growth of Prostate Cancer

By Jane E. Brody
New York Times Service

NEW YORK — Switching to a low-fat diet can slow or reverse the growth of prostate cancer in animals, according to a new study of laboratory mice that harbored human cancers.

The study, by Dr. Yu Wang and colleagues at Memorial Sloan-Kettering Cancer Center in New York, showed that tumor growth could be stymied by halving the animals' fat intake — to 21 percent or less of calories from fat, from about 40 percent.

The average American now consumes about 36 percent of daily calories from fat, but because calorie intake has increased, Americans now eat more fat than when 40 percent of their calories came from fat.

The animal findings, along with previous studies of prostate cancer and diet in various countries, suggest that men, including those who have already had prostate cancer, may be able to significantly reduce their chances of dying of this disease simply by modifying their diets.

As a further inducement, the dietary changes suggested by this and previous research are also likely to reduce the risk of cardiovascular disease, the leading cause of death in American men.

Of greatest potential benefit, the various studies suggest, would be a major cutback in the consumption of red meat and other sources of saturated animal fats.

Another step believed to be beneficial would be regular consumption of soy protein, a staple in diets of the Far East, where the incidence of prostate cancer and heart disease is only a tiny fraction of what it is in the United States.

Prostate cancer, the most common cancer in the United States and the second leading cause of cancer deaths in American men, will be diagnosed in 244,000 men and will claim the lives of 40,400 men in this country this year, the American Cancer Society estimates. Death rates from prostate cancer, adjusted for age, have been rising steadily since 1930, and are especially high among American blacks.

Cancer specialists have long been intrigued by the fact that throughout the world, wherever the subject has been studied, the incidence of microscopic prostate cancers is about the same. These are hidden cancers, most of which do not become life-threatening, or even detectable during men's lifetimes. Among men who died of other causes worldwide, about 30 percent of those over 50 have been found to harbor hidden tumors of the prostate.

Yet, when the incidence of diagnosed

prostate cancers and the rates of prostate cancer deaths are examined, there are vast differences between countries.

For example, in the United States the incidence of prostate cancer is 70 times as high among American blacks and 37 times as high among American whites as it is in China, and in Japan, the death rate from prostate cancer is less than a quarter of the American rate.

WHILE it is tempting to conclude that genetic factors may account for such differences, the fate of Japanese immigrants to the United States suggests that environment is more important. Among Japanese men in Japan, prostate cancer is diagnosed in about 8 men per 100,000. But in a study of Japanese men who migrated to Los Angeles, the rate rose to 30 per 100,000 in first-generation immigrants and to 34 per 100,000 in second-generation immigrants. Among white men in Los Angeles, the rate is 66 per 100,000.

Such findings suggest that an environmental factor like a change in diet is responsible for the rising rates among immigrants, especially since similar changes in breast cancer rates occur among Japanese women who settle in this country and their descendants.

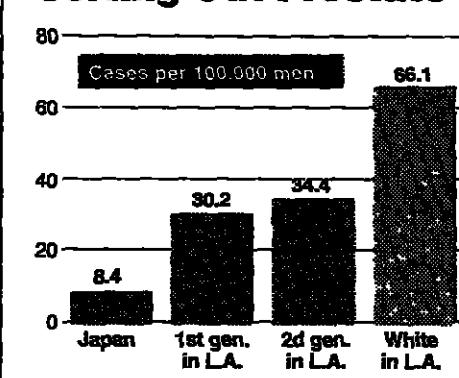
In addition, in postwar Japan, prostate cancer rates have begun to rise in urban areas, where there has been a steady increase in the consumption of high-fat meat, but not in rural areas, where a more traditional low-fat, low-fat diet still prevails.

Furthermore, an earlier study that tracked the fates of nearly 48,000 American men linked a diet rich in animal fats, particularly fat from red meat, to a nearly 80 percent increase in the men's risk of

developing potentially fatal prostate cancer.

That study, conducted over a four-year period among health professionals by Dr. Edward Giovannucci and colleagues at Harvard Medical School, showed that the men who consumed on average 30.5 grams of fat each day from red meat were two and a half times as likely to develop advanced prostate cancer or to die of prostate cancer as were men who ate only 3.2 grams of fat from red meat daily.

Sorting Out Prostate Cancer Risks

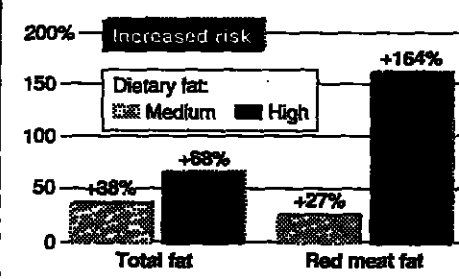


IMMIGRATION

Japanese men who moved to Los Angeles had a higher rate of prostate cancer than those living in Japan, and the rate increased even more for men in the second generation in Los Angeles.

DIET

Higher-fat diets were associated with increased risks of prostate cancer, and fat from red meat with even bigger increases, up to a 164 percent rise for those with the highest intake.



Sources: British Journal of Cancer; Journal of the National Cancer Institute

The New York Times

IN BRIEF

WHO Creating Strike Force To Fight Epidemics on Spot

WASHINGTON (WP) — The World Health Organization is forming a strike force of epidemiologists capable of doing public health tasks and medical detective work essential in the first days of an epidemic.

Traditionally, WHO has relied on national organizations or academic medical institutions to perform most of the field work during outbreaks of such diseases as yellow fever, diphtheria and plague.

"WHO is changing its role from one of guidance to actual response," said David Heymann, a physician at WHO's headquarters in Geneva.

About a dozen physicians, public health teachers and laboratory technicians are on the team, formed last month. It is writing plans to fight specific diseases immediately after an outbreak is recognized. The team also is stockpiling supplies, such as gloves and laboratory chemicals that are often in short supply in underdeveloped countries where epidemics tend to occur.

Remains Found in China Of World's First Bird

LONDON (Reuters) — Researchers working in China say they have found the remains of the first bird with a beak, and the discovery could point the way to the earliest bird of all.

They named the bird Confuciusornis sanctus, after the Chinese philosopher, and said its remains provided the first evidence of a bird covered with true feathers.

In a report in the journal Nature, the researchers — Larry Martin of the University of Kansas and colleagues at the Chinese Academy of Sciences — said the bird's remains, dated to 142 to 137 million years ago, were the first Jurassic bird fossils to be found outside Germany.



CHANEL

31, RUE CAMBON - PARIS 1^{er} - 42, AVENUE MONTAIGNE - PARIS 8^e

Something for Thirtysomethings

By Suzy Menkes
International Herald Tribune

PARIS — Wednesday was a fine fashion moment for thirtysomethings — and not just women looking for pretty, normal clothes. Yves Saint Laurent and Valentino both proved that, after more than 30 years in business, they can still come up with the goods.

While the avant garde designers aim to be edgy and dis-

PARIS FASHION

turbing, the establishment's role is to soothe and please. But the summery breeze that blew through both collections gave just enough change to make loyal clients feel that they will be *dans le vent*.

And how charming of Valentino to share with the world the view from his yacht. All aboard! for a fashion cruise as the show opened with ship-shape navy and white cropped sweaters and pants — or a ruffled chiffon skirt if you prefer not to be mistaken for the crew. Out on the ocean wave, there were cute lace sweaters that could do double-duty as fishing nets; impeccable gray suits as sleek as mother-of-pearl; and a rich catch: skirts with fish net over sea urchin embroideries.

Sometimes Valentino's themes sink his shows. But this one surfed through. Whoosh, as hazardous waves of chiffon ruffles were deftly navigated. Be-calmed in a sea of beige? No.

because the surface of a pantsuit was roughened like spray and its back in smooth satin.

Feeling seasick? Land ahoy for chiffon dresses printed with printed butterflies and sloppy blouses with jaunty satin jeans.

The pretty young models (the over-exposed top names were banished) had long hair, gentle makeup and wore flat sandals. The collection showed Valentino on top form.

Saint Laurent has been smart enough to play it long. While other designers were shooting for the hip and trendy, he stood disdainfully apart. Now that fashion has come back to reality, Saint Laurent's irreproachable cut and impeccable taste seem both right and reassuring.

He had also softened up, making elegance seem easy in this off-on-vacation show with its ragged-fringe straw hats, cropped tops and long skirts. For Saint Laurent played it long with hemlines too, which gave fresh proportions to his signature safari jacket.

That is a typical example of an item that other designers are always copying, but which Saint Laurent himself does best — along with the classic navy pea coat, the brief matador bolero and his latest take on the tuxedo: a black dress masterfully wrapped and draped.

When the fashion world was fixated on monochrome, Saint Laurent's insistence on sumptuous prints seemed stubborn. But, once again, fashion has come back to him and the black-and-white dot print and flowery ruffled dresses had a lighthearted summer charm.

The lace cutouts projected on Jean Paul Gaultier's runway augured well for his show, which started with open-work patterns on synthetic white fabrics. Here was a spirited designer doing a modern take on Old World lace.

But then down the white vinyl runway came everything that a New Age traveler might have picked up on her wanderings from cowboy country

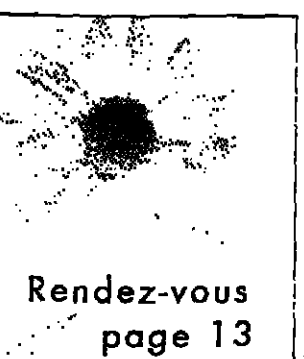


Saint Laurent's swirling evening gown with shawl.

(Stetsons, chaps and embroidered boots) through India, China and beyond.

This idea of the ethnic melting pot has been brilliantly exploited by Gaultier, but this show, with its confluence of computer prints, sleek pin-striped tailoring, neoprene bustiers, djellabas and Japanese sandals seemed chaotic — although there were plenty of ideas in there trying to get out. The quiet renewal of the au-

gust house of Balenciaga is appreciated by a new generation — according to British retailer, Joseph Ettedgui who praises the line. Designer Josephus Melchior Thimister put his focus on cut, using scissors and seams on gauzy fabrics to make kimono sleeves or cape backs open like butterfly wings. Such studied simplicity, in graphic black and white, with models unadorned and even wearing eyeglasses, seemed refreshingly modern.

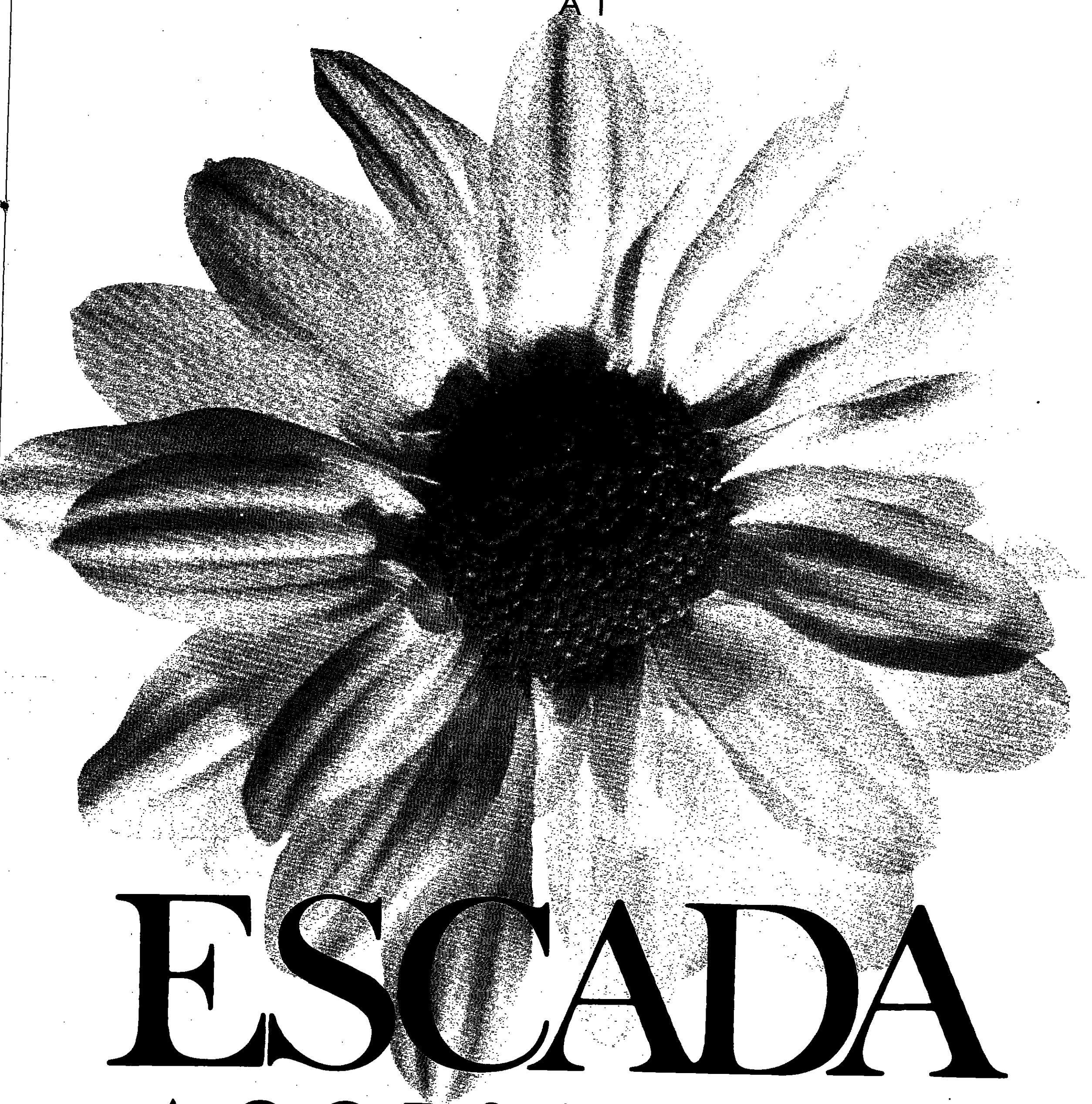


Rendez-vous
page 13

BLAD

RENDEZ-VOUS

AT



ESCADA

ACCESSOIRES

14, RUE DE LA PAIX-PARIS 1^{er}

GALERIES-LAFAYETTE-PARIS 9^e

SAKS-NEW-YORK

HARROD'S-LONDON

PACIFIC PLACE-HONG-KONG

NEW OTANI-TOKYO

IN BRIEF

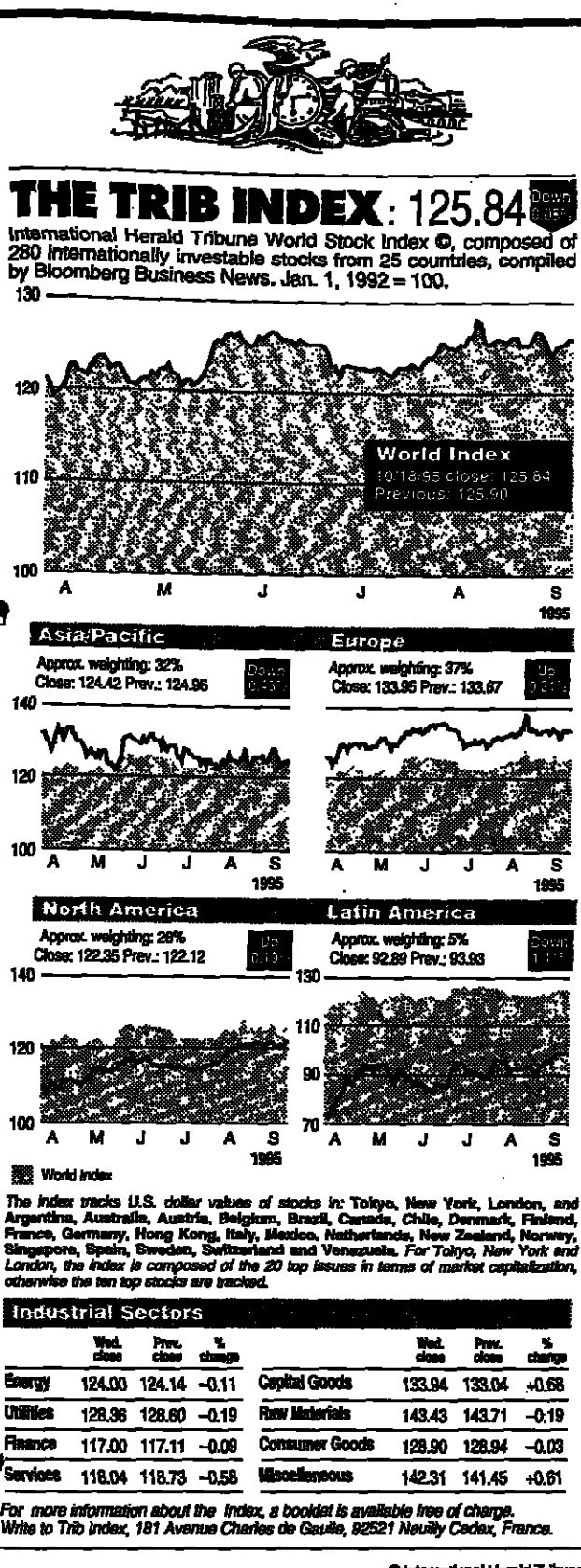
WHO Creating Super
to Fight Epidemic

Founding
World's First

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Continued on Page 15

هكوا من الاصل



U.S. Trade Deficit Shrinks but China Imbalance Grows

Compiled by Our Staff From Dispatches
WASHINGTON — A jump in exports slashed the United States' trade deficit 21 percent in August to the lowest level so far this year, the Commerce Department said Wednesday.

The deficit on trade in goods and services tumbled to \$8.82 billion in August, the smallest monthly gap since \$7.89 billion last December. The reading was well below economists' forecasts of \$11 billion.

The department said the shortfall in trade with Japan, Western Europe and Mexico all narrowed, but the deficit with China grew.

Analysts said the surprisingly strong trade performance in August helped the economy in the third quarter. But they were uncertain the monthly deficits would continue to shrink.

"The report is very positive for the long-term prospects of the U.S. economy," said Gene Sherman, an economist at M.A. Scaprio & Co. in New York. A record level of exports, he added, suggests that manufacturing and capital investment will pick up "further down the road."

Even with the improvement, however, the trade deficit for this year in goods and services is running at an annual rate of \$123.2 billion, far above last year's \$106.21 billion.

Exports of goods and services climbed to a record \$65.74 billion in August, an increase of 3.7 percent from July. Imports were basically unchanged at \$74.56 billion.

The United States typically runs a trade surplus with other countries in services such as travel and tourism, which partly offsets big merchandise trade deficits.

The merchandise deficit narrowed 15 percent in August, to \$13.83 billion from \$16.23 billion in July. The surplus on services fell marginally to \$5.01 billion from \$5.04 billion.

Big gains on the export side were sales of commercial goods.

Wells Bids for First Interstate

By Lawrence Malkin
International Herald Tribune

NEW YORK — Wells Fargo & Co. of San Francisco offered a colossal \$10 billion in stock Wednesday to take over First Interstate Bancorp. of Los Angeles and create a Western banking giant to rival the Bank of America.

It was the first time in the current round of U.S. banking amalgamations that a hostile offer was made, and the stock-market reaction indicates Wells Fargo is likely to be successful.

For weeks the two California banks had been privately discussing a merger to become the country's seventh largest bank in terms of assets. The chairman of Wells Fargo, Paul Hazen, predicted their combined weight and the savings from eliminating overlapping functions would increase earnings by 30 percent.

But William E.B. Siart, First Interstate's chairman, balked at the offer, so Mr. Hazen announced a public bid before Wall Street opened and, as he later said, decided to "let the market speak."

It promptly did so in a resounding vote of approval. Not only did First Interstate's shares rocket up by \$34.75, to \$140.75 a share, but Wells Fargo also gained \$15.375 a share, to \$229 — an extremely rare occurrence for the company that initiates a takeover bid.

Wells Fargo's officers reckoned that the cash flow of the merged bank would be higher than the annual charge it would have to take to amortize the cost of buying First Interstate. With that profit, they would buy back their own stock, raising its price.

Mr. Hazen said the stock market's reaction actually made his offer a better one

than his final terms Tuesday night and the result for the shareholders of swapping two-thirds of a Wells Fargo share for each First Interstate share would mean an equal merger in terms of value.

But the biggest immediate winners were not the banks but the billionaire Warren Buffett. His Berkshire Hathaway Inc. holding company is Wells Fargo's largest single shareholder, with 12.3 percent of the stock; the takeover offer made Mr. Buffett an \$80 million paper profit in one day.

Mr. Hazen said he had consulted Mr. Buffett about the merger, adding that all major shareholders supported his strategy. It is known on Wall Street as a "bear hug" because the huge stock-market gains for First Interstate's shareholders make it risky for First Interstate's directors to reject the offer without facing lawsuits from stockholders.

Mr. Siart issued a statement saying that he was "deeply disappointed" by the takeover bid and that he would have to consider his next move with his board. David Berry, chief of research at Keefe, Bruyette & Woods, which specializes in bank stocks, said that while some big banks in the eastern part of the United States might be interested in bidding for a California beachhead, the deal made more sense with Wells Fargo. He said Wells Fargo would probably win in the end with its offer, which is worth three times First Interstate's book value.

Then why would Mr. Siart resist such a rich offer? The answer lies mainly in the personal policies of banking. Most bank presidents move diligently up the ladder and will fight literally to the death of their careers to avoid yielding power and status for which they have worked all their lives — especially to an equal.

Mr. Siart is 47 and has just taken over

French Banks Lift Base Rates in Blow to Economy

PARIS — French commercial banks announced increases in their base lending rates Wednesday, dealing a fresh blow to the slowing economy and Prime Minister Alain Juppé's government.

The banks, led by the so-called Big Three — Société Générale, Banque Nationale de Paris and Crédit Lyonnais — said they were raising their base lending rates to 8.20 percent from 7.90 percent.

"This is more bad news for the government and makes it harder for the Bank of France to argue that the 'strong franc' is good for the economy," said Julian Jessop of HSBC Bank.

Keeping the franc stable against the Deutsche mark is viewed by the Bank of

France as crucial to being included in an eventual European Union common currency.

The base rate rise reflected an increase in market rates after the Bank of France last week raised its 24-hour emergency lending rate to 7.25 percent from 6.15 percent to defend the franc. It only partly unwound the increase on Monday, lowering the rate by just a quarter of a percentage point.

The base rate rise was the first change since Sept. 4, when it was cut to reflect moves by the independent central bank to ease rates raised during the presidential election campaign this year.

Independent economists said the rise would have little direct impact on the

economy because most borrowing was linked to long-term bond yields.

But they said it would be a drag on consumer spending and creation of businesses and jobs, important to bringing down France's stubbornly high unemployment rate of 11.4 percent.

"This will reinforce talk the strong franc policy is putting pressure on small business and stifling growth even if it only affects a small number of borrowers," a Paris economist said.

Economists said market doubts persisted about France's ability to cut its spending and reduce its deficit to qualify for European monetary union in 1999.

The franc stabilized Tuesday, defusing speculation that the Bank of France

Ford Profit Fell 68% In Quarter

Compiled by Our Staff From Dispatches
DEARBORN, Michigan — Ford Motor Co.'s third-quarter profit slumped as the company's car sales suffered, especially in Europe, and all the money the company did manage to earn came from its financial services business.

The carmaker reported net income of \$375 million, or 28 cents a share, down 68 percent from the \$1.12 billion, or \$1.04 a share, it earned in its record third quarter last year.

Analysts had been expecting poor results, but Ford's earnings were considerably below estimates that generally ranged near 33 cents. The company's shares closed at \$30.125, down 62.5 cents.

David McCammon, a vice president of Ford, also said he expected the company to report lower fourth-quarter results compared with a year earlier, although he believed they would be higher than the third quarter.

He said continued costs associated with new model introductions over the next two quarters were likely to dampen fourth-quarter earnings.

The automaker's third-quarter revenue was \$31.4 billion, up 2.6 percent from the third quarter last year.

"Their North American results were better than expected, but Europe was weaker than expected," said John Casella, an analyst with Schroder, Wertheim & Co.

Analysts had predicted that Ford would post a loss on U.S. operations. Instead, Ford made \$187 million.

See FORD, Page 16

INTERNATIONAL MANAGER

Trying to Make Walking Shoes Run

By Glenn Rifkin
New York Times Service

MARLBOROUGH, Massachusetts — He dreamed up the aerobics shoe that made Reebok International Ltd. the world's No. 2 athletic shoe company, with about 35 million pairs sold. He created lucrative markets for tennis, basketball, walking and fitness shoes and championed Reebok's identification with human rights causes. He even persuaded Cybill Shepherd to wear bright orange Reeboks at the Emmy Awards.

Now Angel R. Martinez, who was born in Cuba but was separated from his parents when he was taken to New York as a toddler, has been given a new assignment by Reebok: to remake Rockport Co., a \$300 million Reebok subsidiary stuck with a reputation as a dull, plodding brand.

In one of his first big moves, Rockport, which pioneered the walking-shoe market but more than shared it with vigorous rivals, in November will introduce a line of shoes for men and women that emphasizes jazzy fashion to accompany Rockport's trademark comfort and quality.

It is a risky decision, but some, including his boss, Paul B. Fireman, Reebok's founder and chairman, say that if Mr. Martinez succeeds at Rockport, he will be the top candidate to replace Mr. Fireman, who is 51.

Despite his track record, Mr. Marti-

nez, 40, has rarely emerged from Mr. Fireman's broad shadow in his 14-year career at Reebok. But when he left his post as executive vice president for global marketing to take on Rockport last November, many in the industry saw it as his chance to step into the limelight.

"He is very much a contender for the CEO position," said Peter Russ, an analyst with Shelby Callum Davis in New York. He said that if Mr. Martinez could

Angel Martinez, the inventor of Reebok's aerobics shoes, is seeking to remake the company's Rockport brand.

reinvent Rockport, which is based here near Boston, it may be his ticket to the top.

Mr. Fireman, who has been criticized by shareholders for Reebok's loss of market share to Nike Inc., the industry leader, may be Mr. Martinez's biggest fan.

"Some people call Angel a visionary, but he is more than that," Mr. Fireman said. "He is like a zen master." He said he expected Mr. Martinez to spend at least three years rebuilding Rockport and that eventually, "there is no reason he won't be the successor."

[Reebok announced a 10 percent drop in third-quarter profit after the stock market closed Tuesday, to \$76.2 million, because markdowns on inventory reduced margins, Bloomberg Business News reported. The drop in profit came despite an 8 percent rise in quarterly sales, to \$1.01 billion. Sales at Rockport grew 18 percent, to \$110.4 million.]

Mr. Martinez admitted he had thought about the possibility of running Reebok but insisted his heart was in the task at hand. "I want to build Rockport into a \$1 billion company," he said. "I'd get more pleasure in that than running Reebok."

Mr. Martinez is candid about what he found at Rockport. Sales grew 11 percent last year, to \$314.5 million, but the company was "bleeding water — not sinking, but not going anywhere," he said. Managers talked about "price points," not innovation.

Rockports, he said, "were your grandfather's shoe." The average customer age was 53, he said, and the products "were not exciting consumers."

Mr. Martinez has undertaken a complete remake. He hired Chris Kittle from Ferragamo to head the design department and opened a Rockport design studio in Florence.

"I see him dedicated to making Rockport a global brand, creating an excitement around the brand," Mr. Russ of Shelby Callum Davis said.

Inspiration got Mr. Martinez his big-

See REEBOK, Page 20

EMU: A Vote for Later, Not Weaker

By Alan Friedman
International Herald Tribune

BERLIN — Germany's economy minister said Wednesday that it would be preferable to delay European monetary union by a year or two beyond its planned launch in 1999 than to relax the conditions that countries need to meet in order to qualify.

Günter Rexrodt, in an interview here, said he hoped and believed that France would succeed in reducing its budget deficit enough to meet the criteria for monetary union in 1999. "But if they don't make it, then it will be better to wait a year or two than to change the criteria," he said.

The German economy minister acknowledged that some in Europe doubted whether France would succeed in bringing its public sector budget deficit down to 3 percent of its gross domestic product by 1997. This, along with targets on inflation and public debt, is one of the key criteria for monetary union contained in the Maastricht treaty on European integration.

Yet Mr. Rexrodt said he remained "optimistic" that France would succeed by 1999 in qualifying for the single currency.

"France is strongly committed to Europe. The French know that without European integration, their country will be located on the edge of Europe," he said.

The economy minister said Germany hoped that monetary union would be achieved "as soon as possible." But he stressed that "for me, one year later or sooner is not decisive."

"What is more important is that the Maastricht criteria be maintained and that we have sanctions against EMU members that do not stick to the criteria," he said.

Turning to Germany's economic outlook, Mr.

Rexrodt said he expected a 2.5 percent growth rate for both 1995 and 1996, "helped by relatively positive developments in investment and also by stronger consumer demand next year that will benefit from lower tax burdens on families."

The main problem facing Germany, he added, was the difficulty in getting the rate of unemployment in western states below its present level of 8.3 percent. "The reasons for unemployment have a structural base and we must fight it with structural reforms," Mr. Rexrodt said.

Mr. Rexrodt also said he was eager to see reforms in Germany's system of collective wage negotiations, noting that it was not always helpful to have a single agreement across an entire industrial sector. "There must be exceptions, related to special areas or regions or companies. There is a big difference between Lower Saxony and Baden-Württemberg," he said.

Turning to the complaints that some big companies have voiced over the strength of the Deutsche mark and the resulting need to transfer some manufacturing jobs out of Germany, Mr. Rexrodt said he understood but could not offer government aid beyond some limited assistance in military research and development.

In the case of Daimler-Benz AG, which has been particularly vocal about the effects of the strong mark, Mr. Rexrodt said, "I tell them to do their homework, and watch the dollar."

Mr. Rexrodt, who on Thursday will address a conference here organized by the International Herald Tribune, said he planned to give a progress report on the performance of the new Eastern states since German unification.

"The upswing has started for the eastern states, but we have only gone halfway," he said, noting that roughly \$700 billion had already been spent since unification occurred five years ago.

Former Leaders Of Barings Bank Face an Inquiry

Compiled by Our Staff From Dispatches
SINGAPORE — Former executives of Barings PLC are being investigated by authorities here for possible criminal offenses linked to the demise of the British bank, officials said Wednesday.

Lawrence Ang, director of the Commercial Affairs Department, said charges would be brought against "anyone who has committed an offense under our purview."

Mr. Ang declined to name the individuals under investigation but said Singapore would pursue extradition of anyone charged with committing crimes in the island-state.

His remarks came a day after the release of a government report criticizing the management of Barings.

Singapore has filed a dozen charges of fraud and forgery against Nicholas Leeson, the former Barings trader whose losses on futures operations crushed the merchant bank.

(AFP, AP, Reuters)

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CURRENCY & INTEREST RATES

Cross Rates

	Oct. 18	Oct. 19	% chg.
Australian \$	1.3025	1.3025	0.00
British £	1.6111	1.6111	0.00
Canadian \$	1.3300	1.3300	0.00
French F	6.5596	6.5596	0.00
German M	1.9364	1.9364	0.00
Italian L	2.3360	2.3360	0.00
Japanese ¥	133.71	133.71	0.00
Spanish P	166.64	166.64	0.00
Swedish S	8.4664	8.4664	0.00
Swiss F	1.4835	1.4835	0.00
Thai B	50.4818	50.4818	0.00
Yen ¥	133.71	133.71	0.00

Eurocurrency Deposits

	Oct. 18	Oct. 19	% chg.
1-month	5.50	5.50	0.00
3-month	5.50	5.50	0.00
6-month	5.50	5.50	0.00
1-year	5.50	5.50	0.00

Key Money Rates

	Oct. 18	Oct. 19	% chg.
1-month	5.50	5.50	0.00
3-month	5.50	5.50	0.00
6-month	5.50	5.50	0.00
1-year	5.50	5.50	0.00

Forward Rates

	30-day	60-day	90-day
British £	1.6111	1.6111	1.6111
Canadian \$	1.3300	1.3300	1.3300
French F	6.5596	6.5596	6.5596
German M	1.9364	1.9364	1.9364
Italian L	2.3360	2.3360	2.3360
Japanese ¥	133.71	133.71	133.71
Spanish P	166.64	166.64	166.64
Swedish S	8.4664	8.4664	8.4664
Swiss F	1.4835	1.4835	1.4835
Thai B	50.4818	50.4818	50.4818
Yen ¥	133.71	133.71	133.71

Source: ING Bank (Amsterdam); Deutsche Bank (Frankfurt); Banca Commerciale Italiana (Milan); Agence France-Press (Paris); Bank of Tokyo (Tokyo); Royal Bank of Canada (Toronto); NAB (Sydney). Other data from Reuters and AP.

More Flights Help AMR Earnings



earned \$3.5 billion, or \$3.13 a share, down 7 percent from the

U.S. automakers to release its quarterly financial results, and

profit was up 16 percent, and last week Chrysler Corp. said earnings skidded 46 percent.

(Bloomberg, AFX)

■ **Tech Shares Rally On**

Stocks closed mixed as rallies in Microsoft and First Interstate sent the Standard & Poor's 500 Index to a record, balancing a drop in cyclical shares, Bloomberg Business News reported from Tokyo.

...saurding about the Christmas sales," he said.

Bay N 63%, and rose 24% of strong Confid outlook over to driving thers said.

at Gap With China Continues

[illegible]

Hafslund Plans Merger With U.S. Drug Firm

Sweden agreed in August to merge with Upjohn Co.

Jane Fiskin, an analyst with Williams de Broé PLC in London, said, "This is very positive for Hälsund, since one of their strategies is to develop high value-added generics, which have higher margins than standard generics."

Shareholders in each company are to receive one share in the new company for each share they hold. The merger excludes Hälsund's energy division.

Hälsund shares rose 23 kro-

Compiled From Dispatches
WALLDORF, Germany—SAP AG, the German industrial software group, said Wednesday that sales in the last quarter of 1995 would not match the brisk pace recorded a year earlier.

The company also said earnings on ordinary activities in the first nine months of 1995 rose 47 percent, to 385 million Deutsche marks (\$272.2 million). But it cautioned that those earnings reflected a loss of about 25 million DM on currency translations.

Sales during the period rose 57 percent, to 1.14 billion DM. SAP said orders had risen 65 percent during the reporting period.

By Nathaniel C. Nash
New York Times Service

But now, there seems to have been a reversal. After more than two years of bumbling along, Hungary has put up for sale the crown jewels — its oil company, its electricity and gas distribution industry, its major banks and a second installment of stock in the state telephone company, Matáv. A consortium of Deutsche Telekom AG and Ameritech Corp. already owns a 30 percent stake.

Global players in oil and gas, electricity and telecommunications are knocking on Hungary's door, apparently convinced that the country is at last getting serious about privatizing its largest companies.

The government has hired investment bankers, including CS First Boston, Kleinwort Benson Securities, Merrill Lynch & Co. and Deutsche Bank AG to

Lynch & Co. and Deutsche Bank AG to

"The interest in privatizations here is very strong," said Sunil Sabharwal, head of the European Bank for Reconstruction and Development in Budapest. "That is quite obvious by the number of major companies that are looking at MOL." Hungary's state oil and gas company, which plans to sell stock beginning in mid-November.

Indeed, bankers say that over the next year, more money could be poured into privatizations in Eastern Europe by foreign investors than in all the previous years combined.

In July, the Czech Republic got \$1.45 billion for a stake in its state telephone company bought by a consortium led by Koninklijke PTT of the Netherlands.

In Poland, where few of the major state-owned enterprises have been sold to private investors, the government is taking the first serious steps, Western bankers say. It recently set up a system under which 14 investment funds, with heavy representation of foreign capital and managers, will control about 400 state-owned companies.

In Hungary, polls show that the public opposes the sell-offs, but the government seems to have little choice. It is burdened with almost \$22 billion in debt and is running big budget deficits. Selling state assets is one way to get employees off bloated public payrolls and repay some of the debt.

The sale of the 50 percent stake in

MOL will represent the first time an oil company in Eastern Europe has gone on the block and one of the few times any government has offered to sell its oil company.

MOL has several advantages. One is its sheer size. It dominates the economy, accounting for 90 percent of the nation's oil

It is a fully integrated energy company, involved in stages from exploration to importing natural gas from Russia, refining crude oil and operating a chain of gasoline stations.

Its Duna oil refinery south of Budapest is considered "among the most sophisticated units in the Central and East European region," according to a recent report by Nomura Securities in London.

The same report estimated that the oil and gas reserves of MOL were worth \$1.8 billion, compared with its current market value of \$1 billion.

The global public offering of a 30 percent stake that Merrill Lynch and Kleinwort Benson are planning in November is expected to bring in at least \$300 million.

But hopes for a smooth sale were nearly dashed Sept. 12, when the government dismissed two top executives at the company and replaced them with Lazlo Pal, a hard-line Socialist who is a leader of the far-left faction of the Socialist Party. A Russian-trained engineer with no experience in the oil business, he was dismissed as trade minister in June for opposing the privatization program.

Head of Alitalia Blasts Owners

Microelectronics NV said Wednesday it had set a price of \$43.50 a share for a global offering of 18 million common shares.

The European semiconductor maker announced the share offering Sept. 27, saying 11.7 million shares would be offered in the United States. On Wednesday, the company said the issue represented 13.2 per-

Of the 18 million shares, 7,610,000 are being sold by the

company, 6,815,000 come

from SGS-Thomson Microelectronics Holdings BV, and 3,575,000 come from Thorn EMI PLC. The shares will be quoted in New York and Paris.

Meanwhile, Thomson-CSF, the French defense contractor that owns about 20 percent of SGS-Thomson, posted a first-half profit of 364 million francs

earlier loss of 176 million francs. Strong results at SGS-Thomson helped Thomson-CSF overcome a 3 percent drop in sales, to 15.52 billion francs.

Thomson-CSF said it expected the improvement in the company's net results "to be borne out in the full year."

Thomson-CSF is on the list of French state-owned companies to be privatized in the spring, although the government has not decided whether to sell the unit separately or with its parent Thomson SA.

A sale of Thomson as a whole, which would raise around 5 billion francs, is an attractive proposition because it would create a balanced group with in-

create a balanced group with interests in defense electronics, consumer goods and semiconductors, an industry analyst said.

Alternatively, the state could opt to sell Thomson-CSF and Thomson Multimedia separately. (Reuters, Bloomberg, AFX)

ROME — The chief executive of Alitalia Airlines, who was expected to be fired at a board meeting Wednesday, lashed out against the state holding company that controls the airline.

"They wanted a scapegoat," Roberto Schisano told the newspaper *La Repubblica*, "and they've found him."

company, asked Mr. Schisano to resign after the airline posted a net loss of 197 billion lire (\$122.9 million) for the first half of this year. Mr. Schisano, who

joined Alitalia in 1994, refused.

INTERNATIONAL FUTURES

	High	Low	Close	Change		High	Low	Close	Change	Options
10-YR TREASURY	95.42	95.38	95.39	+0.02	Dec 96	76.10	75.20	76.05	+1.10	6,164
15-YR TREASURY	95.41	95.37	95.41	+0.03	Est. vol: 10,000	76.09	75.19	76.04	+1.09	
30-YR TREASURY	95.40	95.36	95.40	+0.03	Est. vol: 10,000	76.08	75.18	76.03	+1.08	
1-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	76.07	75.17	76.02	+1.07	
3-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	76.06	75.16	76.01	+1.06	
6-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	76.05	75.15	76.00	+1.05	
9-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	76.04	75.14	76.00	+1.04	
12-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	76.03	75.13	76.00	+1.03	
18-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	76.02	75.12	76.00	+1.02	
24-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	76.01	75.11	76.00	+1.01	
30-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	76.00	75.10	76.00	+1.00	
36-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.99	75.09	76.00	+0.99	
42-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.98	75.08	76.00	+0.98	
48-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.97	75.07	76.00	+0.97	
54-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.96	75.06	76.00	+0.96	
60-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.95	75.05	76.00	+0.95	
66-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.94	75.04	76.00	+0.94	
72-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.93	75.03	76.00	+0.93	
78-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.92	75.02	76.00	+0.92	
84-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.91	75.01	76.00	+0.91	
90-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.90	75.00	76.00	+0.90	
96-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.89	74.99	76.00	+0.89	
102-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.88	74.98	76.00	+0.88	
108-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.87	74.97	76.00	+0.87	
114-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.86	74.96	76.00	+0.86	
120-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.85	74.95	76.00	+0.85	
126-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.84	74.94	76.00	+0.84	
132-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.83	74.93	76.00	+0.83	
138-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.82	74.92	76.00	+0.82	
144-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.81	74.91	76.00	+0.81	
150-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.80	74.90	76.00	+0.80	
156-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.79	74.89	76.00	+0.79	
162-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.78	74.88	76.00	+0.78	
168-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.77	74.87	76.00	+0.77	
174-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.76	74.86	76.00	+0.76	
180-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.75	74.85	76.00	+0.75	
186-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.74	74.84	76.00	+0.74	
192-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.73	74.83	76.00	+0.73	
198-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.72	74.82	76.00	+0.72	
204-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.71	74.81	76.00	+0.71	
210-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.70	74.80	76.00	+0.70	
216-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.69	74.79	76.00	+0.69	
222-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.68	74.78	76.00	+0.68	
228-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.67	74.77	76.00	+0.67	
234-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.66	74.76	76.00	+0.66	
240-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.65	74.75	76.00	+0.65	
246-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.64	74.74	76.00	+0.64	
252-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.63	74.73	76.00	+0.63	
258-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.62	74.72	76.00	+0.62	
264-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.61	74.71	76.00	+0.61	
270-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.60	74.70	76.00	+0.60	
276-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.59	74.69	76.00	+0.59	
282-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.58	74.68	76.00	+0.58	
288-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.57	74.67	76.00	+0.57	
294-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.56	74.66	76.00	+0.56	
300-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.55	74.65	76.00	+0.55	
306-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.54	74.64	76.00	+0.54	
312-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.53	74.63	76.00	+0.53	
318-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.52	74.62	76.00	+0.52	
324-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.51	74.61	76.00	+0.51	
330-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.50	74.60	76.00	+0.50	
336-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.49	74.59	76.00	+0.49	
342-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.48	74.58	76.00	+0.48	
348-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.47	74.57	76.00	+0.47	
354-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.46	74.56	76.00	+0.46	
360-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.45	74.55	76.00	+0.45	
366-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.44	74.54	76.00	+0.44	
372-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.43	74.53	76.00	+0.43	
378-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.42	74.52	76.00	+0.42	
384-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.41	74.51	76.00	+0.41	
390-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.40	74.50	76.00	+0.40	
396-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.39	74.49	76.00	+0.39	
402-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.38	74.48	76.00	+0.38	
408-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.37	74.47	76.00	+0.37	
414-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.36	74.46	76.00	+0.36	
420-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.35	74.45	76.00	+0.35	
426-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.34	74.44	76.00	+0.34	
432-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.33	74.43	76.00	+0.33	
438-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.32	74.42	76.00	+0.32	
444-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.31	74.41	76.00	+0.31	
450-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.30	74.40	76.00	+0.30	
456-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.29	74.39	76.00	+0.29	
462-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.28	74.38	76.00	+0.28	
468-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.27	74.37	76.00	+0.27	
474-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.26	74.36	76.00	+0.26	
480-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.25	74.35	76.00	+0.25	
486-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.24	74.34	76.00	+0.24	
492-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.23	74.33	76.00	+0.23	
498-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.22	74.32	76.00	+0.22	
504-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.21	74.31	76.00	+0.21	
510-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.20	74.30	76.00	+0.20	
516-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.19	74.29	76.00	+0.19	
522-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.18	74.28	76.00	+0.18	
528-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.17	74.27	76.00	+0.17	
534-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.16	74.26	76.00	+0.16	
540-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.15	74.25	76.00	+0.15	
546-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.14	74.24	76.00	+0.14	
552-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.13	74.23	76.00	+0.13	
558-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.12	74.22	76.00	+0.12	
564-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.11	74.21	76.00	+0.11	
570-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.10	74.20	76.00	+0.10	
576-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.09	74.19	76.00	+0.09	
582-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.08	74.18	76.00	+0.08	
588-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.07	74.17	76.00	+0.07	
594-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.06	74.16	76.00	+0.06	
600-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.05	74.15	76.00	+0.05	
606-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.04	74.14	76.00	+0.04	
612-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.03	74.13	76.00	+0.03	
618-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.02	74.12	76.00	+0.02	
624-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	75.01	74.11	76.00	+0.01	
630-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	75.00	74.10	76.00	+0.00	
636-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	74.99	74.09	76.00	-0.01	
642-MONTH LIBOR	5.40	5.39	5.40	+0.01	Est. vol: 10,000	74.98	74.08	76.00	-0.02	
648-MONTH LIBOR	5.40	5.39	5.40	+0.01	Dec 96	7				

Wednesday's 4 p.m.
The 1,000 most-traded National Market securities in terms of dollar value, updated twice a year.
The Associated Press.

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1740	1741	1742	1743	1744	1745	1746	1747	1748	1749	1750	1751	1752	1753	1754	1755	1756	1757	1758	1759	1760	1761	1762	1763	1764	1765	1766	1767	1768	1769	1770	1771	1772	1773	1774	1775	1776	1777	1778	1779	1780	1781	1782	1783	1784	1785	1786	1787	1788	1789	1790	1791	1792	1793	1794	1795	1796	1797	1798	1799	1800
1740	1741	1742	1743	1744	1745	1746	1747	1748	1749	1750	1751	1752	1753	1754	1755	1756	1757	1758	1759	1760	1761	1762	1763	1764	1765	1766	1767	1768	1769	1770	1771	1772	1773	1774	1775	1776	1777	1778	1779	1780	1781	1782	1783	1784	1785	1786	1787	1788	1789	1790	1791	1792	1793	1794	1795	1796	1797	1798	1799	1800

1940s			1950s			1960s			1970s			1980s			1990s			2000s			2010s			2020s										
High	Low	Stock	Div	Yld	P/E	100x	High	Low	Stock	Div	Yld	P/E	100x	High	Low	Stock	Div	Yld	P/E	100x	High	Low	Stock	Div	Yld	P/E	100x	High	Low	Stock	Div	Yld	P/E	100x
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Wednesday's 4 p.m. Close
(Continued)

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12 Month	High Low Stock	Div	Yld	PE	Ratio	High	Low	Latest Close
2007-01-01	11.00 11.00	0.00	0.00	11.00	1.00	11.00	11.00	11.00
2007-02-01	11.00 11.00	0.00	0.00	11.00	1.00	11.00	11.00	11.00
2007-03-01	11.00 11.00	0.00	0.00	11.00	1.00	11.00	11.00	11.00
2007-04-01	11.00 11.00	0.00	0.00	11.00	1.00	11.00	11.00	11.00
2007-05-01	11.00 11.00	0.00	0.00	11.00	1.00	11.00	11.00	11.00
2007-06-01	11.00 11.00	0.00	0.00	11.00	1.00	11.00	11.00	11.00
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ASIA/PACIFIC

China Exporters Threatened by Tax-Rebate Cut

Bloomberg Business News
BEIJING — The Chinese government, short of cash, will cut by more than a third a tax rebate that many exporters say is a matter of life and death, officials said Wednesday.

Rebates owed to companies this year also will not be paid until next year, a Chinese tax official said. The rebates amount to as much as 100 percent of the value-added tax that exporters pay on their goods.

Many exporters have said they may go under unless they receive this year's rebates.

The rebates have been a problem for Beijing since they were introduced last year to promote exports. Exports surged this year, as did claims for rebates.

The cut in next year's rebates and the delayed payment of rebates this year were made official in a circular sent Oct. 6 by the State Council.

The circular said that starting Jan. 1, most exporters will get a rebate of 9 percent on the value-added tax paid at their stage of production, according to a government spokesman. Previously, the government said it would pay rebates of 14 percent on VAT paid by exporters.

The new policy is bad news for exporters even if it is good for the economy, analysts said. Exporters are owed billions of dollars in rebates by the govern-

ment. Payouts have been stalled to avoid an inflationary infusion of cash into the economy.

"This news is definitely disappointing," said Lily Wu, an analyst at Bankers Trust Co. "We're already concerned that companies aren't meeting bills from each other. If the government doesn't pay up, that doesn't set a good example."

Originally, China imposed a 17 percent value-added tax on its manufacturers in January 1994. Against this tax, manufacturers were entitled to monthly rebates of as much as 17 percent on exports. The rebate was cut to 14 percent this July.

The government owes 35 billion yuan (\$4.22 billion) in tax rebates from 1994, according to official press reports. Last month, China said its rebate bill for this year would reach 110 billion yuan. It has budgeted only 55 billion yuan.

Meeting that commitment would sabotage government plans to keep the budget deficit to 66.7 billion yuan this year, said Ma Guonan, an economist at Peregrine Brokerage.

"The delay in payment will make this year's deficit number look a little better," Mr. Ma said. "Longer term, they had to bite the bullet and cut rebates. Otherwise, inflation would rise, and the whole export sector would be hurt."

Victims of a Debt Crisis Scandal Hits Japan's Small Firms

Bloomberg Business News
TOKYO — Nishiki Finance Co.'s problems are small change compared with the \$500 billion in bad loans menacing Japan's financial institutions. For hundreds of small businesses, though, the banking crisis begins and ends with the bankrupt Osaka-based lender.

Nishiki's niche was lending to the small businesses that big banks often shun as too risky. Its collapse in August under \$900 million in liabilities has triggered bankruptcies at 427 companies, most of which had fewer than a dozen employees, according to Tokyo Shoko Research.

These dominoes fell because Nishiki allegedly pressured its borrowers to submit promissory notes for several times the amount of the money they actually borrowed, then sold the inflated notes to other lenders to raise funds for its own investments, according to lawyers for the borrowers. Even after Nishiki's bankruptcy, the lawyers say, the borrowers are still responsible for paying the note holders.

"Nishiki is the tip of an iceberg," said Kenji Utsunomiya, a lawyer who heads the Tokyo Council of Consumer and Credit Loan Problems, which aids debtors. "Ever since the burst of the economic bubble, small businesses have had a hard time borrowing funds from banks, so they have increasingly shifted to riskier loans."

Many of Nishiki's customers probably realized the risk of depositing those promissory notes, but they had no other place to go for money.

In the most extreme cases, Mr. Utsunomiya said, companies have had to borrow funds from loan sharks charging annual interest rates of as much as 360 percent, in violation of the government's 40 percent limit.

Most small companies have had to go to firms that re-lend funds borrowed from other financial institutions, generally charging interest of about

10 percent. Even that dwarfs the 1 percent to 2 percent that commercial banks charge major customers for loans. Japan's short-term prime rate is at a record low of 1.625 percent.

Nishiki's customers' problems started last spring, when the lender sold the promissory notes without their knowledge, according to lawyers representing the customers.

About 2,200 customers handed Nishiki promissory notes with a face value of at least 32 billion yen (\$320 million), said Minoru Yone-da, the company's bankruptcy administrator. Most of the notes have been cashed, according to Masakiyo Ogawa, a representative of more than 80 lawyers helping Nishiki's customers file lawsuits alleging fraud against Hideo Izumi, 51, Nishiki's president who founded the company in 1972. A dozen such suits have already been filed nationwide.

Nishiki, which had 27 branches and employed about 200 people, demanded that its customers deposit the inflated notes, saying that would make it easier for them to obtain loans in the future, according to some borrowers.

Mr. Yone-da, the bankruptcy administrator, would not comment further on the case except to say that a certified public accountant was reviewing Nishiki's portfolio and transaction records. Nishiki officials could not be reached for comment.

Daiwa Shareholders Threaten Suit
 A group of shareholders in Daiwa Bank Ltd. is threatening to sue the bank's senior management for allegedly violating the Japanese commercial code, Agence France-Presse reported, citing a lawyer representing the group.

The lawyer, Hideo Iida, said the unidentified shareholders were threatening to seek 110 billion yen in damages, the same amount the bank lost through allegedly fraudulent bond trading at its New York branch.

U.S. Sees China in WTO Soon

Compiled by Our Staff From Dispatches
BEIJING — U.S. Commerce Secretary Ronald H. Brown indicated here Wednesday that he expected China to be admitted to the World Trade Organization in 1996, while expressing continued concern over the country's barriers to free trade.

"It is hard to conceive of a WTO that in 1996 does not include China," Mr. Brown said.

Mr. Brown's comments came a day after China's foreign trade minister, Wu Yi, reiterated accusations that the United States was the "main obstacle" to the success of its long-standing application.

Mr. Brown, wrapping up a two-day visit, said he was upbeat about the future of bilateral relations, which plummeted this summer to their lowest level in years because of Taiwan.

"I came at a time when, if there was continued extension of tension in our relationship, the Chinese would have had the opportunity to communicate it to me, and they didn't," Mr. Brown said.

Instead, the two sides signed agreements to work together in areas including commercial law, management training, defense conversion, environment technology and telecommunication.

Mr. Brown's visit was the highest-level visit to China by a U.S. official since relations soured. (AP, Bloomberg)

Investor's Asia

Exchange	Index	Wednesday Close	Previous Close	% Change
Hong Kong Hang Seng		8,873.70	10,032.93	-0.58
Singapore Straits Times		2,104.89	2,099.38	+0.26
Tokyo Nikkei 225		2,111.40	2,108.50	+0.14
Kuala Lumpur Composite		1,789.97	1,791.80	-0.12
Bangkok SET		946.72	945.86	+0.09
Seoul Composite Index		1,298.48	1,308.91	-0.88
Taipei Stock Market Index		1,008.70	1,005.78	+0.08
Manila PSE		5,033.07	5,061.00	-0.54
Jakarta Composite Index		2,638.19	2,636.82	-0.21
Wellington NZSE-40		498.48	498.95	-0.10
Bombay Sensitive Index		2,195.44	2,142.04	+2.49
		3,564.11	3,570.39	-0.43

Source: Teletels

International Herald Tribune

Very briefly:

- Japan's upper house of Parliament approved a 5.33 trillion yen (\$53.07 billion) supplementary budget to help carry out a record 14 trillion yen spending package, much of it for public works, to stimulate the economy.
- Reebok International Ltd. received complaints from Muslim leaders because of an advertising campaign featuring the signature of Mohammed Azharuddin, captain of India's cricket team, on a sports shoe. The leaders complain that the ads insult Islam by using the name of Mohammed.
- Sega Enterprises Ltd. and Softbank Corp. will create a joint-venture company, GameExpress, to distribute video-game and personal-computer software and hardware in the United States.
- The Philippines' Supreme Court temporarily stopped the sale of most of the state-owned Manila Hotel to a consortium led by Renong Berhad of Malaysia and including ITT Sheraton Corp. A rival bidder, Manila Prince Hotel, is arguing that locally owned companies should be given priority.
- Taiwan and Macao agreed to establish air links, allowing Air Macao to fly between Taiwan and mainland China with a stopover in the Portuguese colony.
- China, seeking to increase its nuclear-generation capacity to 20,000 megawatts by 2020, will build at least four nuclear power plants in the next five years.
- Thailand approved a plan to reduce its stake in Bangchak Petroleum PLC, a local oil refiner and retailer, to 49 percent from 80 percent, and sell 21 percent to the public.
- LG Chemical Ltd. of South Korea will make cosmetics in China at its joint-venture plant in Zhejiang Province with Second Light Company Group.

AP, AFP, Reuters

CITIC Issues Denial

Bloomberg Business News
HONG KONG — CITIC Pacific Ltd. denied reports Wednesday that its largest shareholder had sold 169 million Hong Kong dollars (\$21.9 million) of shares in the China-backed conglomerate.

Many traders said CITIC Hong Kong (Holdings) Ltd. had sold 7 million shares in CITIC Pacific. CITIC Hong Kong is a unit of China International Trust & Investment Corp.

Separately, Moody's Investors Service Inc. assigned a Baa-2 rating to a \$200 million issue of floating-rate two-year Euronotes issued by CITIC Pacific Finance Ltd. The rating is just above speculative status.

Amway Sets Japan's First Share Repurchase

Bloomberg Business News
TOKYO — Amway Japan Ltd.'s stock rose 8 percent Wednesday after the company announced Japan's first-ever share buyback, posted a sharp rise in annual profit and declared a special dividend.

The company, which markets home- and personal-care products, said it would repurchase 5 million of its own shares to raise shareholders' return on equity and bolster its share price.

Shares in Amway Japan rose 330 yen, to 4,620. At that price, the repurchase would cost the company 23.1 billion yen (\$230 million). The buyback represents more

than 3 percent of the company's 149.6 million shares outstanding.

Analysts said the news was good for shareholders but that Japanese companies would not rush to follow suit before April, when a government tax break for such share repurchases is to take effect.

Japan only recently lifted its ban on buybacks in an effort to revitalize Japan's stock market.

In late June, when the stock market was hovering at three-year lows, Japan pledged to make it easier for companies to buy back their own stock by lifting its ban and freezing taxes on such transactions for two years

beginning in April. Analysts said the ideal buyback candidates were companies with plenty of spare cash, no significant capital expenditure plans and healthy balance sheets.

Amway Japan fills the bill. The company said current, or pretax, profit rose 10.6 percent, to 44.21 billion yen, for the year ended Aug. 31. The company also reported a 13 percent rise in current profit, to 43.35 billion yen, on sales of 177.99 billion yen.

Amway Japan also announced a special dividend of 50 yen a share for the year ended in August, raising the total dividend to 190 yen from 140 yen a year ago.

THE AMERICAN EXPRESS

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REEBOK: Angel Martinez Wants to Make Rockport a \$1 Billion Brand

Continued from Page 15

gest break, in 1982. Driving back to San Francisco after an unsuccessful three-week sales trip, he despaired at the lack of interest in Reebok running shoes. The market was saturated, and retailers had no shelf space for soft leather models from this obscure company that Mr. Fireman had bought in England.

He stopped at his wife's exercise class - a new West Coast craze called aerobics. Most of the women were barefoot, and many were complaining about leg and foot injuries.

The proverbial light bulb went on. "Aerobics shoes," Mr. Martinez said to himself.

He took the idea straight to his boss, but Mr. Fireman, who had never heard of aerobics, rejected it.

Undaunted, Mr. Martinez sketched a design for a shoe and called Steve Liggett, head of Reebok's manufacturing, to ask for help. A prototype was quickly

manufactured in East Asia and shipped to Mr. Martinez, who had such confidence in his brainstorm that he said he would have paid for it himself if he could not sway Mr. Fireman.

When he showed the shoe to local aerobics instructors, they loved it. Mr. Fireman continued to resist, until Mr. Martinez sent a box filled with thousands of orders.

Once on board, Mr. Fireman made a huge bet, ordering 32,000 pairs of what were dubbed Reebok Freestyles. The soft leather and distinct comfort struck a chord.

After a week of sluggish sales, Mr. Martinez thought up a promotion that offered, with each purchase, two weeks free at a class with Richard Simmons, the host of a television exercise show.

The shoes sold out within days, and a vast market was born. Reebok's sales soared from \$3.5 million in 1982 to \$1.4

billion by 1987, almost totally because of the aerobics shoes.

"We gave women the first-ever athletic shoe to call their own," Mr. Martinez says. "It became a badge for them."

Whether he can create that same badge at Rockport remains to be seen.

At Rockport, Mr. Martinez is putting style first, scaling down the company's chunky trademark Vibram-sole shoes. In a company whose shoes rarely sold for more than \$100, he is pushing men's dress shoes for \$230.

Just three years after selling its first women's shoes, the company is making a big push in that market. Mr. Martinez expects half his shoes to be women's models by the end of next year, up from 30 percent now.

For Mr. Martinez, the risk is that he might get too "creative" and dilute Rockport's reputation as a no-nonsense, high-quality shoe.

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2	SBC	Capl	PW	DM	1061.73	13	Comvest Cbk BkAm	DMA	952.94
1	SBC	Capl	PW	Ecu	1074.42	14	County Multi-Adv Perf Fd	\$	1.6236
	SBC	Capl	PW	Ecu	1097.03	15	Craig Drift Ck	\$	165.03

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1. *Journal of Management Studies*, 1997, 34, 1, 1-14.

Graf's Mask Falls As She Loses One For Her Father

By Ian Thomsen
International Herald Tribune

BRIGHTON, England — Suddenly her problems seemed very real. The only way most of us know world No. 1 Steffi Graf is by the tennis she provides, clinically and with little editorial comment. Then on Wednesday she lost to somebody named Marian de Swardt.

The score was 6-2, 4-6, 6-1. Six to one. Her opponent was ranked 54th in the world, the lowest of the 17 players who have beaten Graf in the last 10 years. The opponent, a large woman, had not played much this year while recuperating from shoulder surgery two years ago.

Not so long after her problems had been made clear, Graf said, "I think she is the best woman player I have ever played against."

A few listeners reacted as if Graf had just pleaded guilty to tax evasion. Just so there was no doubt, Graf said, "I said that she was the best woman who has ever played against me."

Better than Monica Seles? Chris Evert? Marian de Swardt, a 24-year-old South African, winner of \$364,136 lifetime, was better than Martina Navratilova?

"I'm talking about the first one and a half sets," Graf said in slight retreat. "I'm not talking about the end."

She was trying to rationalize the irrational result in the language of tennis. This, as Freud might have said, was about her father.

Peter Graf has been living in a prison cell in Mannheim, Germany, since early August, suspected of hiding away some official permission, maybe — huge chunks of the enormous salary that he began driving his daughter to win when she was 4. This month Graf was questioned by investigators for seven hours.

There has been speculation in Germany that she will be arrested. It is being said that Graf wasn't aware of her father's tax schemes, which is more than possible. Nevertheless, she is not what her game has always pledged her to be: a professional unaffected by the life she has been able to keep private.

"No, I think I was really on the court today," Graf said when asked, essentially, to admit that she is worried. "There is nothing I can blame it on, nothing at all."

But it must have been upsetting that one of her major sponsors, Opel, withdrew its \$1.2 million in annual support this week?

"It's not 'withdraw,'" Graf said, the only time she was riled during a 10-minute

group interview. "It ends this year after 10 years. They are not continuing it, which happens with sponsors."

"Definitely, we feel really bad for her," De Swardt said. "I don't know if I could play tennis if what was going on with me. I respect her for playing now, and I think the majority of players feel really sorry for her and what she's going through. We're trying to give her words of support, to let her know we're there for her, and that this whole nightmare will blow over soon."

Perhaps the most dramatic aspect of the afternoon was how quickly — in just 87 minutes of play — the two players became familiar to those watching. The setting was hardly comfortable: muffled acoustics, grimly yellow fluorescent lights, and a huge black curtain along one side of the court. Another match was being played in the same room, though few of the 2,000 or so here were paying it any attention.

Before the match, De Swardt complained about the camera flashes that chase celebrities everywhere. She was buoyed by the memory of her three-set loss to Graf at Wimbledon three years ago, but everyone else knew better: Graf had won 30 straight matches at the Brighton International and six titles.

But the first point was an ace by De Swardt. In the sixth game Graf double-faulted twice as De Swardt broke her in love. De Swardt won seven consecutive games, going a break up in the second set.

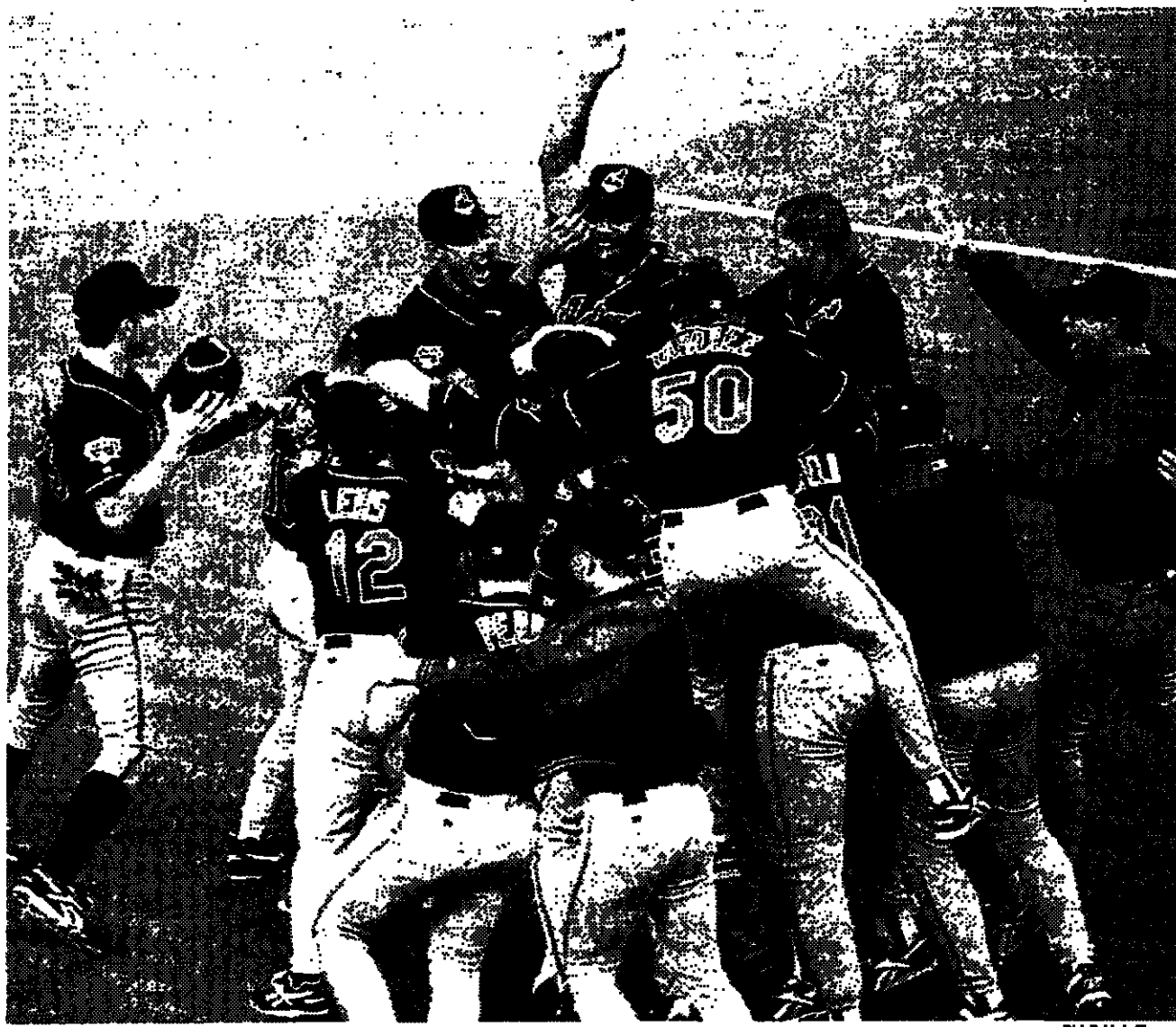
Suddenly, although she might have looked ordinary, she was smiling at Graf after an exchange of winners off the net. However, for those familiar with the German way, this cast the fourth game of the second set as the probable turning point in Graf's favor.

Women's tennis is all about Steffi Graf and Monica Seles. It is in orbit around them. It is about them in the same lavish, worshipful and exorbitant way that soap opera revolves around rich and beautiful victims. Except that Seles and Graf rarely lose, except in parts of the plot they cannot get their rackets on.

In this case, when the opponent started smiling, enjoying herself, she seemed to be displaying the weakness Graf likes to exploit most.

As it turned out, De Swardt went on to win six of the seven games that matter most. This is the winner's third tournament indoors, ever. Afterward, true to her character, Graf said, "I don't think I was nervous on the court." But there was no other way to explain the new sympathy of her audience.

Behind Martinez, Indians March Into the Series



The Indians celebrated not only the 4-0 victory over Seattle, but the franchise's first trip to the World Series since 1954.

By Jennifer Frey
Washington Post Service

SEATTLE — For more than a year, the Cleveland Indians believed — fiercely, firmly — that they would reach this moment, their seemingly unstoppable march to the World Series questioned by nary a soul in their locker room. The Indians arrived in the American League Championship Series with the best team in baseball, a home-built collection of talent that included good defense, great pitching and truly impressive power at the plate.

Their opponents, the Seattle Mariners, arrived with little more than a dream.

Destiny's team beat the dreamers Tuesday night at the Kingdome, where the Indians — powered this time by their marvelous pitching rather than their spectacular offense — celebrated a 4-0 victory and an impending trip to Atlanta, where they will face the Braves in what will be Cleveland's first World Series appearance since 1954.

The Indians lost that series to the Boston Braves. Orel Hershiser, named the ALCS most valuable player after winning Games 2 and 5, will go against Atlanta's Greg Maddux in Game 1 of the World Series on Saturday night in Atlanta.

Fruitless in his search for a victory in his five previous postseason starts (three this month and two with the 1979 Baltimore Orioles), Dennis Martinez, at 40 the oldest pitcher in the major leagues, pitched seven superb innings to lead the Indians.

The combined shutout — Julian Tavarez threw the eighth and Jose Mesa closed the ninth — was only the fourth against the heavy-hitting Mariners this year.

Martinez may be a newcomer to this franchise, but he knows how important this moment is to the long-troubled club and to the city of Cleveland.

As the players said in their emotional postgame clubhouse celebration, it's as if this one World Series trip can somehow erase the decades of misery — the 105 losses in 1991, the numerous sixth- and seventh-place finishes in the division, the endless cruel jokes about their city on the lake.

"We were destined to win," said the catcher Sandy Alomar Jr. "I think this ball club has done great all year. We came to the Kingdome and we knew it would be tough. But we knew, deep down, we were going to win."

To do so, the Indians had to beat Randy Johnson, who had all but carried the Mariners through a magical October ride. Four times the Mariners had survived win-or-go-home games here, three times depending on Johnson to earn the victory.

Tuesday night, though, Martinez, who is known as El Presidente, stood taller than the towering Johnson, who did not have enough left in his marvelous left arm.

It was an awkward, unusual eighth inning that ended all the suspense in what had been a tremendous pitching duel (the only run scored up to that point had come from Cleveland in the fifth, and was unearned). That was when Johnson faltered, giving up a leadoff double to catcher Tony Pena, followed by an infield single from Kenny Lofton, who promptly stole second to put the Mariners in a jam.

And both base runners — Ruben Amaro, who pinch-ran for Pena, and Lofton — did not score on a big-time hit from the likes of Carlos Baerga or Albert Belle or Eddie Murray, but

rather on a passed ball that slipped by the Mariners' catcher, Dan Wilson, and wandered far behind the plate.

Johnson stood, almost bewildered, as Lofton passed him, and a few minutes later, he walked from the game disheartened and seemingly oblivious to his Kingdome ovation, a bases-empty homer from Baerga having just provided the last straw.

"I told them, the way Dennis was pitching, we only needed one run to beat them," said Pena, who admitted he felt confident after the Indians took a 1-0 lead after an error by the Mariners second baseman Joey Cora.

That run, though, did not seem to deflate the Kingdome, where the sellout crowd — and the Mariners players — still seemed to believe that their season would forever hold true.

"We have nothing to be ashamed of," the Mariners' manager, Lou Piniella, said after addressing his club.

"I think this was a season where this city proved it can be a great baseball city and this team started to establish a winning tradition of its own," he added.

Certainly, the Seattle faithful did not waver in their support of the Mariners, the packed home standing and cheering long after the players had retreated up the tunnel, and long after the jubilant Indians carried their celebration into a champagne-soaked clubhouse.

For now, the moment belongs to the Indians, and to the city of Cleveland, where all have waited so long for this day.

"I always dreamed I would play in the World Series," Baerga said, and it was impossible to tell whether his eyes were wet from tears or champagne.

"And I always knew I'd get here," he added. "I just did."

WORLD SERIES SCHEDULE (All times EDT)

Game	Date	Time	TV
Cleveland at Atlanta	Oct. 21	7:00 P.M.	ESPN
Seattle at Cleveland	Oct. 22	7:00 P.M.	ESPN
Cleveland at Atlanta	Oct. 23	7:00 P.M.	ESPN
Atlanta at Cleveland	Oct. 24	7:00 P.M.	ESPN
Atlanta at Cleveland	Oct. 25	7:00 P.M.	ESPN
Atlanta at Cleveland	Oct. 26	7:00 P.M.	ESPN
Cleveland at Atlanta	Oct. 27	7:00 P.M.	ESPN
Cleveland at Atlanta	Oct. 28	7:00 P.M.	ESPN
Cleveland at Atlanta	Oct. 29	7:00 P.M.	ESPN

Indians 4, Mariners 0

Player	AB	R	H	BB	SO	Avg.
Lofton	4	1	2	0	2	.500
Vogelbein	4	1	1	0	1	.250
Baerga	4	1	1	0	1	.250
Belle	4	0	2	0	0	.500
Murray	4	0	1	0	0	.250
Alomar	4	0	1	0	0	.250
Klayton	4	0	0	0	0	.000
Hyatt	4	0	0	0	0	.000
Elizalde	4	0	0	0	0	.000
Pena	4	0	0	0	0	.000
Salmons	4	0	0	0	0	.000
Totals	36	4	8	0	8	.222
Seattle	AB	R	H	BB	SO	Avg.
Coleman	4	1	1	0	1	.250
Wilder	4	0	0	0	0	.000
Corn	4	0	0	0	0	.000
Griffey Jr.	4	0	0	0	0	.000
Elizalde	4	0	0	0	0	.000
TMartinez	4	0	0	0	0	.000
Burnett	4	0	0	0	0	.000
Blowmon	4	0	0	0	0	.000
Seja	4	0	0	0	0	.000
Fleming	4	0	0	0	0	.000
Dwight	4	0	0	0	0	.000
a-Adler	4	0	0	0	0	.000
Totals	36	1	1	0	8	.028

a-Adler pitched in the 9th.

1-run for Pena in the 9th.

5-Corn (1).

LOS-Cleveland 4, Seattle 0.

2B-Belle (1), Pena (1), Seja (2).

HR-Griffey Jr. (2) at Kingdome.

RBI-Lofton (2), Baerga (1).

SB-Lofton (2), Coleman (1), ElMartinez (1).

SDP-Seja.

Runners left in scoring position-Cleveland 3 (Vogelbein, Murray, Martinez); Seattle 3 (Cora, TMartinez, 2).

Runners moved up-Coleman, Griffey Jr.

DP-Cleveland 1 (Vogelbein, Baerga and HP-Coleman).

Cleveland 1P 1P 4R 0BB 0NP ERA

Martinez 1P 1P 4R 0BB 0NP ERA

Totals 1P 1P 4R 0BB 0NP ERA

Seja 1P 1P 4R 0BB 0NP ERA

Johns 1P 1P 4R 0BB 0NP ERA

Chaffin 1P 1P 4R 0BB 0NP ERA

HRP-by DeMartinez (ElMartinez).

PS-Dwight.

Unlabeled-Horne, Corder, First, Kofers, Second.

Catcher: Third, Randy Lark, Dale Ford, Right, Tim McClelland.

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Yo, Toronto! This Is In-Your-Face Hoops

By Anne Swardson
Washington Post Service

TORONTO — Less than three weeks before Toronto's new National Basketball Association team begins its first season, ticket sales are soaring, corporate sponsors are lining up and logoed merchandise is selling around the world.

As every school child in Canada knows, a Canadian invented basketball, in 1891, and the game has not been forgotten. Young people are excited by the Raptors, as the franchise is called. Isiah Thomas, the former Detroit Pistons star who is the Raptors' general manager, is mobbed by children whenever he appears in public.

But there is some concern that the cool, distant culture of Canada is not ready for in-your-face professional basketball. Whether the Raptors succeed or fail will depend in part on how Canadians adapt to the blitzkrieg that is pro hoops these days.

Canadians often hold themselves aloof from things that are too American, and little is more American than the current incarnation of the NBA, with its flash, stars and bragadocio.

When the Raptors guard Damon Stoudamire, fresh out of the University of Arizona, told a Toronto press conference recently that he planned on being

the NBA's rookie of the year and mentioned the "greatness" he had achieved at the high school level, Canadian reporters were taken aback.

"We happen to like our athletic heroes to sport a convincing degree of modesty," wrote the columnist Mary Omsby in the Toronto Star. "The NBA's trash-talking element and the glorification of self — no matter how brutally honest those feelings actually are — will be a hard sell here."

"I don't know if this town is ready for Generation X basketball players; they're Attitude City," said Sam Guba, who does basketball commentary on CBC radio. "A lot of hockey fans here think it's a lot of squeaking shoes and last-minute wins and pituitary cases."

Racially, Toronto, a city of more than 100 ethnic groups, is tolerant. When the basketball world championships were held here in 1994, 300,000 spectators attended, including more than 32,000 for the final between the United States and Russia. But the Canadian character, many here say, is out of sync with the showy self-confidence of the 1990s NBA.

"It may not be sport, exactly, but it is definitely entertainment," commented Maclean's, Canada's national news magazine, after February's All-

Star game in Phoenix.

Even the nature of basketball is un-Canadian. In ice hockey, individuality is minimal; pads and helmets mask identity. In basketball, players are a lot larger and clothes are a lot smaller.

"It's a very sensual sport," said David Peterson, former premier of Ontario and now board chairman of the Raptors. "You can touch 'em, feel 'em, smell 'em. You're quite removed in baseball. Less so in hockey, but you can't smell them; it's too cold. Basketball is terribly modern and terribly American."

Before his group began preparing its bid for the franchise, Peterson had never seen an NBA game and knew little about basketball. The opposite was true for the lead partner, John Bitove Jr., whose family made its money in the food services business in Toronto and who spent summers in Indiana, his mother's home state.

Whether it was playing hoops with his cousins or watching the 1972 championship final between the Los Angeles Lakers and New York Knicks, Bitove grew up on the NBA.

He played for his high school team in Toronto, then attended the University of Indiana. He was there in 1981, the year the Hoosiers won the NCAA final — led by Thomas. He and his partners are betting an estimated \$280 million, including a \$125 million franchise fee, that the rest of Toronto will convert to the game once people see the show the Raptors have to offer.

"This won't be a traditional Canadian sporting audience, which sits on its hands and claps plays on both sides," Bitove said. "We won't let them. There'll be too much going on."

The team will have a few Canadian elements: All its preseason games are being played in Canada, despite the fact that none of the players shows any sign of having heard of Halifax, St. John, Saskatoon or Winnipeg. Halifax must have brought good luck to the "home" team: The Raptors won their first preseason game there Saturday night over the Philadelphia 76ers, 120-107.

In Winnipeg, another Canadian innovation will be introduced: The Raptors and the Vancouver Grizzlies, the West Coast expansion franchise, will play for the Naismith Cup, a new Canadian championship trophy named for the inventor of basketball.

Bitove said the team name was purposely designed to have no relation to Toronto or Canada, for instance, in part so that Raptors merchandise can be sold the world over.

So far, indications are that interest is running high. Season-ticket sales are third in the league, both in number and dollar terms. This is despite the fact that buyers of the best seats must pay a "license fee" of up to \$7,500 just for the privilege of paying \$2,839 for 45 games. Single-seat prices range from a high of \$67 to a low of \$8, at least for the first two years, while the Raptors play in SkyDome during construction of a 22,500-seat arena. Raptors officials say that for that money, they will put on a show like Canadians have never seen before.

"We'll be on the edge," Thomas said. "We'll be racy. We'll go as far as our imagination will take us."

CROSSWORD

ACROSS

1 "Confound it!"

3 Jimmy of "NYO Blue"

10 Words of understanding

14 Bide

15 — dish

16 Look furtively

17 Start of a riddle

18 Ineffectual

20 "Thank you" response

21 Amatory

22 Sports stat

24 — Penh

25 Baghdad bligwig

26 Needing psychiatric help

28 Arabic "A"

30 County, in England

34 Cole Porter was one

35 End of the riddle

36 Shoshonean

40 Texas tourist draw

41 Play part, in Paris

42 Shell hunter's terrain

44 1886 hit — Love

46 Mystery element

47 "Death in Venice" author

48 Middy, e.g.

51 Star presenter?

55 Hi-Ho competitor

56 Riddle answer

58 Abdul — (first Saudi king)

59 Shakespearean misanthrope

60 Natman

61 "Can do"

62 Collier types

63 Staff sign

DOWN

1 Singing duo of TV

2 What Horton heard

3 Marv

4 Stangy putdown

5 Kerplunk

6 Whimpers

7 Type type: Abbr.

8 Essay

9 "Yes, ma'am," in Madrid

10 Composure

11 Pressure

12 Sort of, for starters

13 Notorious price controllers

18 On

22 Cry on the Seine

